

BRAZIL:

THE EMERGENCE OF A WORLD POWER



LE BRÉSIL :

L'ÉMERGENCE D'UNE PUISSANCE MONDIALE



A Project totally conceived and managed by
the Independent Study Committee
made up of the undergraduate students :

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International Studies Programme,
Glendon College, York University

Proceedings of the Conference held at Glendon College
on February 23, 2002
and Field Trip Experiences and Impressions
(April 9th, 2002 to May 3rd, 2002)

Papers assembled by the student Independent Study Committee
and edited by Rosana Barbosa Nunes and Domenico Mazzeo

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PREFACE

BRAZIL CONFERENCE

Principal Kenneth McRoberts
Glendon College, York University

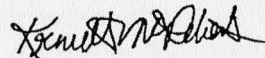
As many of you know, Glendon College's founding Principal was Escott Reid. Rhodes Scholar, former high commissioner to India and ambassador to Western Germany, Reid was one of the artisans of Canada's post World War II foreign policy. Within Reid's vision, Glendon was to be devoted to preparing Canadians for public service. It was for this reason that Glendon was made to be bilingual: all graduates were to be competent in Canada's second official language. And, reflecting Reid's own experience and preoccupations, the notion of public affairs involved international as well as domestic matters.

Au fil des ans, l'enseignement bilingue en sciences sociales et lettres de Glendon a mené bon nombre d'étudiants à jouer un rôle de premier plan au niveau des relations internationales. On compte parmi nos anciens et anciennes trois ambassadeurs du Canada, un Secrétaire-Général-adjoint (Amnistie internationale), des économistes de réputation internationale, ainsi que beaucoup d'autres personnes de haut calibre occupant ou ayant occupé des postes d'importance à l'échelle mondiale.

Notre programme d'études internationales exerce une influence prépondérante dans la préparation des étudiants de Glendon à la vie publique internationale. Pluridisciplinaire, ce programme s'appuie sur l'ensemble des ressources du Collège pour offrir une formation unique dans les deux langues officielles du Canada et ce, dans le domaine des études internationales.

One of the program's most remarkable achievements is the organization by its students of annual conferences. This is the seventh such conference. The topics of previous conferences were, in chronological order: Cuba, China, South Africa, the European Union, the Middle East, and South East Asia. In most instances, the conferences have been followed by visits to the region in question. The students have already chosen the theme for next year's conference: Russia.

So, as Principal of Glendon, I am delighted to declare open the conference on "Brazil: The Emergence of a World Power".



RESEARCH AT YORK UNIVERSITY

Stan M. Shapson, PhD
Vice-President Research & Innovation
York University

York University has a rich history of student-led initiatives and has always challenged students to take an active role in research and innovation. This year's international conference, entitled **Brazil: The Emergence of a World Power** was a wonderful example of how Glendon students are contributing to public policy and research. This initiative is contributing to the exchange of ideas and transfer of knowledge. The student-initiated conference at Glendon played an important research and policy role in Canada, contributing to a greater understanding of the impact of globalization on Brazil and providing an important platform to examine the possibilities of strengthening Brazil-Canada relations.

York University is firmly committed to connecting knowledge internationally. We are working hard to make international connections in our research and we have identified the expansion of international research as a strategic priority. The international connections that we have made to date are powerful and provide us with important understandings and mutual benefits. We can and will, however, do more.

My office, for example, is working with faculty members at four universities across Canada to establish Canada's first and only national research chair in Brazil Studies. This research chair will bring together a number of universities across Canada to strengthen the Brazil-Canada dialogue. It will be a truly interdisciplinary and international research chair with outreach to the business community and policy makers across the country, and beyond. Having our university as one of the main participants in the Brazil research chair will provide our students with the opportunity to interact on a regular basis with key scholars from Brazil.

Our research focuses the attention of local, national, and international communities to York and we are increasingly viewed as a distinctive institution that increases understanding, addresses complex scientific and societal problems, and develops the frontiers of knowledge. In fact, with its wealth of international collaborations York is perfectly suited to take a leadership role in the new borderless information world in which we are living.

The innovative international programs undertaken at Glendon and the focus of its students on connecting studies to policies and practices in other countries is to be commended.

I would like to congratulate the students who organized this exciting and important international conference.

I wish to extend my thanks to His Excellency, Henrique R. Valle, Ambassador of Brazil to Canada who delivered the conference's keynote address.

Thank you also to each of the individuals and organizations that generously contributed to this year's international conference, the field trip to Brazil, the individual research essays, and this publication.

CONTRIBUTORS

Prof. Bernard Andrès

Présentation du Centre d'études et de recherches sur le Brésil de l'UQAM

Professeur de lettres à l'Université du Québec à Montréal (UQAM), Bernard Andrès est aussi membre de la Société Royale du Canada. Il s'occupe depuis seize ans des échanges littéraires entre le Québec et le Brésil. Il séjourne régulièrement comme professeur invité et conférencier. Il s'intéresse aux études comparées Québec-Brésil et a publié divers travaux dans des revues brésiliennes de l'État de Rio Grande do Sul. Il dirige à l'UQAM un nouveau Centre d'études et de recherches sur le Brésil, inauguré en septembre 2001.

Dr. Albert Berry

Recent economic trends in Brazil

Albert Berry is Professor of Economics at the University of Toronto and Research Director of the Programme on Latin America and the Caribbean at the University's Centre for International Studies. His main research areas, with focus on Latin America, are labour markets and income distribution (with attention to the impacts of the recent economic reforms in Latin America), the economics of small and medium enterprise, the economics of education, and agrarian structure and policy. He has worked with the Ford Foundation, the Colombian Planning Commission, and the World Bank, and acted as consultant for a number of international and other agencies. He recently directed an analysis of economic policy for Pakistan over the next 15 years.

Ms. Annette Hester

Politics, Presidential Elections and the energy Crisis in Brazil

Annette was born and educated in Rio de Janeiro. Her primary activities have included developing market strategies and acting as liaison between leading oil, gas and energy companies in North America and Latin America. She has also provided consulting services to governmental agencies in several countries of the Americas, especially in Brazil and Canada. In 2001, she was appointed director (interim) of the new Latin American Research Centre of the University of Calgary. With her unique expertise, Annette has frequently been an invited participant in round table discussion on hemispheric integration and trade negotiations.

Dr. Charles Gastle

The Aircraft from Brazil/Canada dispute

Dr. Charles Gastle has a Doctorate in International Trade and Competition Law and is a partner at Shibley Righton LLP, Toronto. He was called to the Bar in 1987 and practices commercial litigation, international arbitration and trade law. He has published more than 30 articles in a variety of publications.

Prof. Ted Hewitt

Urbanization: Brazilian Innovations in Response to Social Problems in Brazil

W. E. (Ted) Hewitt is Associate Vice-President (Research) and Professor of Sociology at the University of Western Ontario in London, Canada. He is Managing Editor of the Canadian Journal of Latin American and Caribbean Studies, and director of the Brazilian Studies Working Group, and association of university-based Brazilianists in Ontario and Quebec. He has published extensively on issues related to social move-

ments, local government, and international cooperation for urban development in Brazil and elsewhere in Latin America.

Ms. Sherry Nelligan

Dreams and Disparities - Gender Equality in Brazil

Sherry Nelligan is the Executive Director of Gender Equality Incorporated in Toronto, Ontario. As the promotion of equality and success is her passion, Sherry has been working in this area for over 15 years from various analytical perspectives including: grass roots community work, counseling and advocacy, gender analyses, gender training and teaching, project management and publications. Over the years, Sherry has contributed to international development projects for various sectors and countries. The majority of her work has been in Brazil where she lived and worked for over 6 years. Sherry is the recipient of a Canadian International Development Award for Canadians.

Dr. Rosana Barbosa Nunes

Immigration to Brazil and the formation of the Brazilian people

Dr. Rosana Barbosa Nunes is Assistant Professor at Brock University and Course Director at Glendon College. She completed her undergraduate studies in Rio de Janeiro, Brazil and her M.A. and Ph.D at the University of Toronto. She has published articles on aspects of the history of immigration to Brazil and on Portuguese immigration during the 19th century. She has taught courses on Brazilian history and culture as well as on Latin America history at the University of Toronto, York University, Guelph University and Brock University.

Dr. Cecilia Rocha

Urban Food Security Policy: the Case of Belo Horizonte, Brazil

Dr. Rocha's recent research projects focus on issues related to food security in Canada and other countries. She has written a paper on food security policies in Belo Horizonte, Brazil, and is now working on an evaluation of the costs and benefits of school nutrition programs in Toronto. She was one of the planners and coordinators of the Workshop on Food Security (Food Jam) held during the first World Social Forum in Porto Alegre, Brazil, in January 2001. Since 1998, Dr. Rocha has been the Toronto coordinator for the International Training for Environmental Leadership (ITEL), developed by NIEGA, based in São Paulo. In the teaching area, Dr. Rocha has been involved in developing an international field experience course on community development.

INTRODUCTION

Janice Leung

The Brazil Independent Study Committee is pleased to present this publication, which is the culmination of our project entitled: "Brazil: the Emergence of a World Power". The project included a semester course and the organization of an international conference on Brazil, as well as a field research trip to the country. We hope that this collection of essays, which encompass the conference and field trip portions of this project, will not only result in a better understanding of Brazil, but will also promote the strengthening of Canada-Brazil relations.

The student Annual Conference Project has become a tradition at Glendon since the 1995-96 academic year. Each year, a group of seven or eight students decide to study a country, a region or an international institution. This very demanding Project has four main components: a series of seminars on the selected country, region or institution (Fall Term); the organization of an international colloquium on the subject (Winter term); a field research trip (after the final exams); and the submission of a research essay on aspects of the country/region or institution concerned (usually on security, trade, investments, and human rights issues). Until the year 2000-2001, the project has covered the following countries and regions: Cuba (1995-96), mainland China (1996-97), South Africa (1997-98), the European Union (1998-99), the Middle East (1999-2000), and South East Asia (2000-2001).

In continuing this tradition, this year we focused on Brazil as our subject of study. Brazil is a vibrant, culturally diverse society that evokes images of the mad passion of Carnival along with the mythic nooks of the Amazon. As the largest and most populous Latin American country, the Federative Republic of Brazil has long ignited the imagination of explorers and scholars alike. This regional powerhouse has experienced a vast amount of changes over the last thirty years, including overcoming military governance of the country, and stands now as the third largest democracy in the world. As well, tremendous industrial and agricultural development has led Brazil to become South America's leading economic power and the country with the eighth largest GDP worldwide. At the dawn of the 21st century, the future of Brazil as both a regional and global leader looks bright.

The first two parts of this publication are a collection of the major papers presented at our very successful conference on Brazil, held at Glendon on February 23, 2002, in which experts from the public and private sectors were brought together to produce stimulating discussions on the domestic and foreign policy of this South American giant. Part I deals with selected social, economic and political issues. Part II covers aspects of Canada-Brazil commercial and academic relations.

Part III includes some of our experiences and impressions gathered during our field trip to Brazil, in April 2002. The objective of the field trip was to immerse the committee members into Brazilian culture and society, allowing them to gain a first-hand perspective of the country. As well, three weeks of field research in Brazil greatly enhanced the quality and depth of our knowledge of this great country. The field research portion of the project gave us a real taste of the diversity and vitality of this country. Having spent time in six cities (São Paulo, Salvador, Manaus, Brasília, Porto Alegre, Rio de Janeiro) located in different regions of the country, the most striking initial impression of Brazil was its diversity of cultures, which gave the idea of having many different countries in one. However, the commonality that we found

in each region that we visited, was the vibrancy and dynamic nature of Brazilian society. During our field research trip we had the chance to visit universities, NGOs, government agencies and cultural centres. Though our visit was relatively short, we had the benefit of experiencing many aspects of Brazilian society during that period of time.

Finally, we have many people to thank for helping us make this project a success. In addition to the supporters mentioned in Annex, there are many more people who deserve our gratitude. In particular, we would like to extend our warmest thanks and appreciation to those who attended the conference and to the many individuals and organizations that showed us such hospitality during our field research trip in Brazil. We would like to express our deep gratitude for such kindness and support. For without such support, our project would not have been possible.

The Brazil Independent Study Committee, 2001-2002

Edith da Costa
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BRAZIL: PRESENT DOMESTIC REALITIES AND FOREIGN POLICY GOALS

Remarks by His Excellency Henrique Valle,
Ambassador of Brazil to Canada

Thank you very much, Ms. McDougall, for your introduction. I am very honored to be here at Glendon College and extend my appreciation to the Principal, Professor Kenneth McRoberts, and the Brazil Independent Study Committee for this invitation.

This is perhaps the most important academic event about Brazil that has taken place during my almost three years in Canada. A great number of relevant persons in the field of Brazilian studies in Canada have been brought together for this conference. Along with my appreciation, I convey my warmest congratulations for this most welcome initiative.

Fostering academic contacts between Brazil and Canada is necessarily a top priority. I am convinced that this field offers ample opportunities for improving bilateral relations. Yesterday I had the pleasure to meet with the President of York University, Professor Lorna Marsden, and other senior members of this institution. We discussed the possibility of having a chair on Brazilian Studies in Canada. Both countries have much to gain from increased mutual awareness. I am very much determined to follow up on this issue. Therefore, for a number of reasons, it is a great pleasure to be here today.

As a Brazilian citizen, I must confess to a certain degree of pride when I first read the title of this conference "Brazil: the emergence of a world power". However, as a diplomat, objectivity and discretion recommend a more cautious approach to my presentation. Brazil has certainly a long way to go before it could be considered a "world power".

Having in mind this basic concept, I will divide my presentation in three main blocks. I will initially comment on Brazil's potential to become an increasingly relevant actor in the world, but I will also focus on domestic shortcomings which remind us that Brazil is still a developing country. I will also speak about our foreign policy priorities and, as Ambassador to Canada, I will take this opportunity to make some brief comments on the prospects for bilateral relations.

I would like, however, to make a clarification for what you may come to regard as a lack of academic rigor in my presentation. More than attempting to deliver a coherent and well-structured speech, I will try to highlight some specific facts and trends which I consider to be important for any appraisal of Brazil, a country whose huge diversity and complex realities challenge quick and easy assessments.

I.

Brazil is a country with great assets and an extraordinary potential. Throughout our history, we have shared with Canada one common national characteristic: optimism and faith in the future. When I came to Canada, I was struck by the famous speech by Prime Minister Laurier in 1904, in which he said that the 20th century would be the century of Canada. Nothing could be more similar to the state of mind that has historically marked the view of Brazilians about our own future. Even in the face of adversity, widespread belief that Brazil has a great future is undoubtedly a national trait. And, in many aspects, that future has already been conquered.

I begin my presentation with a clear note of optimism regarding the strength of democracy in Brazil. Political institutions are solid. Congress is vibrant, an effective counterweight to the Executive branch in Brazil's presidential system. The Judiciary is absolutely independent. Civil society has become increasingly active. Freedom of the press is second to none in the world. Trade unions are free. These realities are a guarantee for long-term political stability.

Brazil's demographic characteristics are testimony of a great country. The Portuguese, Native Indians and Africans who formed the original core of the new nation were joined by immigrants from all corners, resulting in a society that is unique in terms of diversity. Brazil hosts the largest communities of Italian and Japanese descent in the world. The number of Brazilians of Arab and German origin is also impressive.

In that sense, Brazil is not different from other immigration countries. However, what stands out in Brazil's diversity is that people from such distinct origins have indeed molded themselves into a new common identity. Second and third generations seldom speak the language of their ancestors. Brazil is definitely not made up of different peoples and cultures living side-by-side and keeping their own separate identities, but rather the product of an unprecedented racial, ethnical and cultural mix. It might be difficult to grasp the essence of this new identity, but it is quite evident to any foreigner that Brazilians feel they belong together. It is as simple as that, but stating the obvious can be useful, since the average Brazilian is often not aware of this extraordinary achievement, especially in a world marked in so many ways by ethnic conflict.

I am not arguing that Brazil, according to the well-known theory which was so popular in the past, is a "racial democracy". That would be naive, at best. Many difficult challenges remain, especially with regard to the social condition of Brazilians of African ascendancy. In a historical step, President Fernando Henrique Cardoso has been taking the lead to address this issue. There can be no doubt, however, that Brazil, gradually overcoming obstacles, is a unique and successful example for racial and ethnic tolerance. In our era of globalization, Brazil is therefore particularly well-positioned to be a voice for understanding between countries and cultures. Our society is in itself a product of globalization, before this statement became vogue.

Brazil's demographic evolution is also impressive with regard to the pace of population growth. Our football fans will remember that the 1970 world cup victory in Mexico was celebrated with a song that mentioned a nation of 90 million people. One generation later, the country's population stands at 170 million, practically doubling in the last 30 years. These numbers are overwhelming, still more so when we consider that population growth came hand in hand with an acceleration of migration to the cities. Back in the seventies, almost 50% of the population still lived in rural areas, compared to less than 20% now. In rough numbers, Brazilian cities had some 52 million inhabitants in 1970, but more than 136 million now – an astonishing growth of almost three times in one generation. One can hardly imagine the resulting pressure on public services in areas such as urban infrastructure, health or education – let alone adequately respond to them.

And yet, all in all, Brazil's society has been able to rise to the challenge, in spite of shortcomings which I will mention ahead. Today, demographic pressures are

abating. Population growth is down to a much more manageable pace of 1.3% a year. In the years and decades ahead, there will be more room for increasingly successful social policies in Brazil.

Beyond its demographic and territorial scale, Brazil's potential is also underscored by the size of its economy, one of the most important among developing countries.

Having reached a value of more than US\$ 800 billion in 1997, Brazil's GDP fell sharply in nominal dollar terms after the devaluation of the Real in 1999. However, it must be noted that this does not reflect an actual decline in the production of goods and services – it is, rather, a consequence of devaluation. Therefore, in order to have a more accurate perception about Brazil's economic size, it is appropriate to consider it in purchasing power terms.

According to the World Bank, Brazil's purchasing power parity – or PPP – gross national income in 1999 reached US\$ 1.15 trillion, placing Brazil as the ninth economy in the world after the USA, China, Japan, India, Germany, France, the UK, and Italy, in this order. Again: I do not want to sound naive. It is quite clear that size does not translate into well-being of average citizens. While Brazil's per capita income in that same year in PPP terms was US\$ 6,840.00, Canada's, in comparison, was US\$ 25,440.00.

Brazil's economic potential has been reinvigorated by successful stabilization policies since the launching of the so-called Real Plan in 1994. Despite the shock of the 1999 devaluation, in the wake of an unprecedented credit crunch in international markets, Brazil was able to maintain the course of stability, thanks to structural reforms and sound macroeconomic policies that have been in place since 1994. Brazil's new commitment to responsible fiscal and monetary policies is an achievement of historical proportions.

After experiencing economic growth of 4.5% in 2000, Brazilians were confident that we had entered a new era of sustainable long-term expansion. However, a very unfortunate combination of events came to prevail last year: an unexpected domestic energy crisis; fears of a possible contagion effect from other emerging economies; the economic slowdown in the United States and its effects on the world economy; and, last but not the least, the aftermath of the tragic events of September 11th.

Under these difficult circumstances, Brazil's economy has proven once more its resilience and capacity to react to new challenges, having grown by some 2% last year, according to initial estimates. Although this figure is frustratingly low for a country with huge social problems such as Brazil, it is nevertheless acceptable given current international conditions.

I do not intend to deal at length with macroeconomic figures. But I would like to suggest, to those of you who might want to have a closer look at Brazil's recent economic performance, that you glance through the remarks I made here in Toronto, last November, at the Annual Luncheon of the Brazil-Canada Chamber of Commerce and the Canadian Council for the Americas. The text is available at the Embassy's web page. For updated figures, you might also visit the web sites of the Central Bank and the Ministry of Finance, which you can reach through the Embassy's home page.

In any case, the message I would like to stress today is that Brazil's economic potential is becoming more and more a reality. I am confident that this positive trend has solid roots.

As you know, Presidential elections will be held next October. At this stage, we should refrain from early conclusions or forecasts. Some eight months before the vote, there are still too many uncertainties. But it seems clear that President Cardoso's legacy of stabilization, responsible economic policies and structural reforms will remain in place.

Stability is a conquest of Brazilian society as a whole, beyond questioning by any political platform. It has meant a lot for millions of lower income Brazilians who were able to overcome poverty thanks to its benefits. According to official figures, 44% of the population were considered to be poor in 1993, in comparison with 32% in 1999.

Although this trend is positive, the fact remains, however, that 53 million Brazilians, approximately 1/3 of the population, were still living in poverty in 1999. This situation that can be described, without indulging in any overstatement, as Brazil's major historical shortcoming, even more so because – as President Cardoso remarks – Brazil is not a poor country in terms of the size of its economy, but rather an unjust one.

There are a number of programs in place in order to address this challenge, but undoubtedly Brazil is still very much affected by an extremely unfair income distribution pattern. For decades, overcoming poverty has proved to be an elusive goal. The difficulties in fighting poverty more effectively affect the country's image abroad – but, more than that, it represents a blow to our self-confidence.

It is true that Brazil's social indicators have consistently improved over the last decades, even during the so-called “lost decade” of the eighties. While the average life expectancy barely reached 52 in 1970, it is now approaching the 70-year mark. Infant mortality in the first year of life has decreased from 88 per thousand in 1970 to 48 in 1991 and is now down to 33. In 1992, only 86% of Brazilians in the 7-14 age group were enrolled in school – but now we are not far from the goal of having all Brazilians in that age group regularly attending school.

Overall, there is a clear trend towards better social indicators. Again, however, results are far from satisfactory, specially taking into account Brazil's resources and potential. The country's economic achievements ought to warrant better living conditions for the average Brazilian. Social indicators in Brazil still compare unfavorably with those of most other Latin American countries.

Brazil remains very much a country of contrasts, a characteristic which recommends a cautious approach when assessing its realities. The concept of “dualism” is present in every major interpretation about Brazil's history. A country of remarkable achievements and potential, but still plagued by significant levels of poverty. A country committed to democracy and the rule of law, but still marred by human rights violations. A country committed to environment protection, with a leading role in international endeavors in this field, but still coping with a serious challenge in the Amazon region and in other ecosystems.

Having returned to democracy in the eighties, and conquered economic stability in the nineties, fighting poverty and improving the living standards of our

people is certainly going to be the central issue of Brazilian political life in the years to come. Foreign policy must keep that in mind, in order to preserve its legitimacy and support among the Brazilian society.

II.

As Foreign Minister Celso Lafer points out, Brazil's foreign policy tries to match domestic demands with external windows of opportunity. That is why the challenge of national development is at the core of foreign policy priorities.

Brazilians take a very realistic approach to our capacity to play an active role in international affairs. We are certainly very much aware of our scale – territorial, demographic or economic – and our assets, but at the same time we are no less aware of our shortcomings.

It is clear that in Brazil there is no room for strategic and military ambitions on a regional or global scale. Pressing domestic needs prevent the mobilization which would be necessary for the fulfillment of such ambitions. In other words: Brazil cherishes no dreams of grandeur. The Brazilian society would never lend its support to such visions.

Throughout our history, Brazil's most important diplomatic achievement has been the fact that we have been living in peace with all our neighbors in South America since 1870. National borders were all settled by peaceful means at the turn of the 19th and 20th centuries. Relations with our neighbors have been marked by understanding and cooperation, especially after democracy became the rule in the continent in the eighties.

Taking into account this framework of peace and stability in the region, it is only normal that diplomacy in Brazil be very much centered on the contributions it must give to national development. This is certainly very important, since policy in Brazil devotes so much attention to economic and trade issues, such as the consolidation of MERCOSUL, a free trade agreement between MERCOSUL and the Andean Community, the FTAA process, a free trade agreement between MERCOSUL and the European Union or trade negotiations at the WTO.

On the other hand, these comments certainly do not mean that Brazil does not seek an active voice on international issues which have an impact on national development. On the contrary: however subjective this appraisal might be, I dare to say that on issues such as the FTAA process, the WTO discussions or environment protection, among others, Brazilian diplomacy has a degree of influence which goes beyond the "scale" of the country.

In a speech last November at the opening of the United Nations General Assembly, President Fernando Henrique Cardoso set out some major issues facing world leaders today: defeating terrorism; reforming the UN Security Council; expanding the G-7; launching a new trade round at the WTO in order to redress inequalities that are detrimental to developing countries; firmly establishing the International Criminal Court; implementing the Kyoto Protocol; and strengthening the non-proliferation regime. This is an ambitious agenda, which reflects Brazil's desire to contribute to a more balanced international order, to the benefit of all.

After September 11th – while recognizing that the challenge posed by terrorism requires a much greater emphasis on security and defense issues in the international agenda – Brazil has been saying that this should not steer us away from other

cooperative endeavors. The imperatives of fighting poverty in the world, promoting human rights and greater social justice, protecting the environment and building a more equitable world remain as daunting as ever, and certainly even more pressing. They are a priority for Brazil, and our diplomacy does not spare any effort in order to promote those goals.

III

As Ambassador of Brazil to Canada, I would like to conclude my presentation with some remarks on our bilateral relations. Objectivity forces us to admit that these remain a story of unrealized potential.

Brazil and Canada share a number of common interests in the hemisphere and in the world. This stems from the fact that both countries – one developed, one an emerging economy – constitute plural, multi-ethnic societies espousing the values of freedom and democracy, human rights and social justice. We do have, therefore, the basis to build upon. However, the substance of our overall relationship remains somewhat elusive. The fabric of our relations still lacks the necessary density.

As you know very well, bilateral relations have for the past several years been suffering the prolonged effects of the aircraft dispute involving Bombardier and Embraer. Although technically it is now a trade dispute at the WTO, this issue has become a pervasive element of our relations, with consequences that extend beyond the aerospace field.

As much as we may wish to contain the effects of the dispute, it is undeniable that its negative impact on Canada-Brazil relations has been significant. It has affected political dialogue and our trade and investment relationship.

The conclusion of the most recent panels at the WTO – one confirming that PROEX III conforms to international trade rules and the other asking Canada to withdraw several recent loan operations – may help to create favorable conditions for the bilateral dialogue on the aircraft dispute. Recently, our negotiators met in São Paulo, last November, and in New York, two weeks ago. They agreed to continue consultations next April. Both sides expressed their willingness to end this dispute, but at this point it is not yet possible to foresee how things are going to evolve. In any case, as long as it remains, it will affect the normal flow of bilateral relations.

Brazilian exports of beef compounded the difficulties caused by the aircraft dispute. The damage to Canada's image in Brazil was significant, as the move was perceived by the Brazilian public to have constituted an unfair measure, adopted hastily and in the absence of justifiable grounds.

We have since overcome the more turbulent period in the immediate aftermath of the embargo, which brought constructive bilateral contacts to a virtual halt. Gradually, we are moving toward a more normal pattern of relations, including the resumption of high-level bilateral meetings. I am very pleased with the fact that tonight I am travelling to Brazil in order to participate in consultations to be held between our two Vice Foreign Ministers, a high level dialogue which is now auspiciously inaugurated.

The resumption of high level contacts is in the interest of both sides. We have a tradition of cooperation in the multilateral arena in areas such as democracy,

human rights, the environment, disarmament and non-proliferation. We have shown joint leadership in pushing ahead the issue of democracy and human rights in the Summit of the Americas process. We have a sound basis on which to build upon. A better bilateral relation is a contribution to the promotion of common interests in the Hemisphere and in the world.

Dear and distinguished friends,

Once again, I would like to reaffirm my profound satisfaction for the opportunity to have shared with you some ideas about Brazil.

Thank you very much.

PART I

SELECTED SOCIO-ECONOMIC AND POLITICAL ISSUES

IMMIGRATION AND THE FORMATION OF THE BRAZILIAN PEOPLE

Rosana Barbosa Nunes

Introduction

Thank you very much for the opportunity to be here today. Since I'm the first speaker of this panel, I would like to give you a broad introduction to the major historical issues and trends affecting the formation of the Brazilian people. In this presentation I'll avoid undertaking a strictly academic analysis and instead give you a more personal perspective based on my experience as a Brazilian immigrant in Canada.

When I came to Canada, I thought it was interesting that many people here frequently asked me the question: "What are you?" At first I didn't know what they meant but slowly, I began to understand that people here had the need to understand what was my racial or ethnic background. So I began answering them that I was Brazilian. Yet, to my amazement, my answer was still not enough to appease the curiosity of my new Canadian acquaintances. Then, I began understanding that they wanted me to hyphenate my Brazilian nationality. Probably, they wanted me to say that I was "Portuguese-Brazilian" or "Italian-Brazilian," "native-Brazilian" or something similar. However, this question didn't make much sense to me, since most Brazilians do not keep track of their ancestry, at least not in the same way as Canadians do.

An event involving Brazilians here in Toronto also got me thinking how Brazil's experience with immigration and immigrant adaptation was different from that of Canada. It took place on the subway, where a group of Brazilians from a variety of racial backgrounds – European, Korean, African, and African-European – were talking very lively and loudly (as Brazilians usually do) when a Canadian man approached them and said that he was dying of curiosity to know where they were from. He said that he had never seen a group who looked so different from each other but who acted so much alike. One of the Brazilians said they were from Brazil after which the man left since his stop had arrived. I can only imagine that after he left, the Canadian man was probably as confused as before or even more as most North Americans have no idea of Brazil's racial and cultural diversity or the high level of interaction between the races.

So today, I want to give you a general idea of the different peoples who immigrated to Brazil and I'll attempt to illustrate that Brazil achieved a true "melting pot" society in the 20th century, mainly as a result of a rational decision to "brazilianize" Brazil.

Immigration to Brazil

In regards to the different groups that immigrated to Brazil, let me say briefly that Brazil received a large number of forced and free immigrants throughout most of its history. For instance, Brazil received the largest number of African slaves of any nation in the world. As table 1 shows, Brazil received an average of 3 and a half million slaves. The descendants of those who survived slavery comprise today the largest African community outside Africa.

Brazil also received large numbers of free immigrants, throughout its history (as Tables 2, 3, and 4 show). From the colonial period to the mid-20th century, Brazil received a large and constant influx of Portuguese immigrants. The influx of Portuguese immigrants has been a constant in the history of European contact with

Brazil. This South American country constituted the main destination for Portuguese immigrants from the middle of the sixteenth century to the 1790s. From the nineteenth until the middle of the twentieth centuries "over four fifths of all registered Portuguese migrants went to Brazil." In absolute terms, there were at least 1,055,154 registered Portuguese migrants entering Brazil from 1820 to 1920.

Other Europeans also arrived in Brazil on different occasions. For instance, in the 1820s and 1830s, German and Irish families were brought to Brazil and given a plot of land on the condition that the adult males serve in the Brazilian army for a period of about eight years. Germans were also brought to Brazil on different occasions and granted plots of land in empty or border areas of the empire, as a way to assert and guarantee sovereignty over regions under dispute with neighbouring countries, mostly in southern Brazil.

After the abolition of the slave trade in 1850, Italians and Spanish immigrants among others, began to be subsidized to work on the coffee plantations of Brazil. These new immigrants were mostly directed to São Paulo. The economic dominance which Rio de Janeiro enjoyed in the first half of the nineteenth century shifted to São Paulo in the second half of the century. Because of this, São Paulo was the state in Brazil which sponsored the most immigrants after 1850.

These were later joined by the Japanese, who began arriving in the early twentieth century. This group constituted the first Asians to arrive in Brazil. Up until the mid 1920's, Japanese immigration was relatively insignificant. However, during the period between 1924 and 1933, it became the second largest migratory current.

Most Japanese immigrants went to São Paulo and, by the 1930s, they comprised more than half of all immigrants arriving in this State. Until 1925 most of the Japanese came to Brazil to work in the coffee plantations. However, after WWI large numbers of Japanese were subsidized by the Japanese government to emigrate to Brazil. These immigrants were able to establish themselves as small farmers in different regions of this country but most settled in São Paulo. The descendants of these Japanese immigrants comprise today the largest Japanese community outside Japan.

Yet, I should argue that, despite the importance of all of these, to the development of Brazil, none of these groups have contributed to the growth of this nation to the same extent as the Portuguese and the Africans. The large number of Africans who arrived in Brazil from the mid 1500s to the mid 1800s and the constant historical flow of Portuguese immigration have shaped this nation in a fashion unlike that of any other group.

The Whitening of the Brazilian Population

One interesting aspect of Brazilian immigration history was the desire of the Brazilian elite throughout the 19th century to whiten the Brazilian population through European immigration. The independence of Brazil in 1822 was brought about by a small group of whites whose intentions were to free Brazil from the colonial limitations in terms of trade and administration, but who wanted to keep the social structure of the country intact. This group firmly opposed social change. The Africans in Brazil were seen as a necessity for the empire but were not regarded as a group who should be granted political, social, or civil rights.

Even the few people who called for the end of the slave trade did so not through humanitarian concerns but by pointing to the negative influence that blacks had on the country. For instance, the *Aurora Fluminense* published an article in November 1831 criticizing the slave traders for barbarising the country through their importation of enslaved Africans. According to the editor of the newspaper, his fellow countrymen "...continued in the vicious circle of working on one hand to civilise the nation and on another to barbarise it with the frequent dealings with these men, born and reared without civilisation and promptly transported to the most intimate places of our abodes, and put into close contact with our children, from their tender infancy..."

The level of racism towards Africans is apparent in many statements of the period. In 1823 the Minister of the empire, José de Bonifácio e Silva, was probably the only member of the government who defended the end of the slave trade with conviction. During a dialogue with Charles Chamberlain, the British representative in Brazil, he stated that the Africans in Brazil "are the gangrene of our prosperity."

In 1837, a Brazilian intellectual, Frederico Leopold Cezar Burlamaque wrote a book on the slave trade and on the negative aspects of domestic slavery. In it he supported the end of slavery in Brazil, the buying of a colony by Brazil in Africa so that all blacks in the country could be sent to Africa after the abolition of slavery, and an increase in European immigration.

He defended the arrival of Europeans on the grounds that, in his opinion, the slaves were unfit for any work demanding intelligence.

In the second half of the nineteenth century, the preference for white immigrants began to take a more organized form. The "Sociedade Central da Imigração", created in the early 1880s, had the specific objective of bringing Europeans to Brazil. It believed that even though Africans and Orientals were superior to the European as an agricultural labour force, Europeans were more intelligent than the Orientals who in turn were more intelligent than the African.

By the end of the nineteenth century, the preference for white settlers was also clearly acknowledged by the government. A decree in 1890 declared that the country welcomed all healthy and able-bodied immigrants who were not subject to any criminal persecution in their own countries. However, it accepted "natives of Asia or Africa, who can be admitted only by authorisation of the National Congress and in accordance with the stipulated conditions".

The Brazilian elite credited Brazil's backwardness in relation to the United States and Europe as a racial problem and, in their minds, in order to progress, Brazil needed to create a nation which resembled Europe as much as possible. The belief was that it was necessary to improve the Brazilian "blood" through European immigration. Generally speaking, it was believed that an increase in the white "blood" would improve Brazil's national character.

Yet, before we jump to conclusions about racism in Brazil, let me say that these ideas were widespread in Europe and in North America and were the result of European "theories" of racial superiority which were founded on Darwinism. These ideas were widespread in Europe and in the Americas. Therefore, the Brazilian racist approach to its black population and its desire to create a more European population was not unique in the Americas.

The "Brazilianization" of Brazil

However, what was unique, was that even though the Brazilian elite was openly racist toward Brazil's blacks, Brazil never established any legalized system of segregation in the country as did the United States and South Africa. In addition, by the early 20th century, some segments of the Brazilian elite began openly defending the idea that the Brazilian people derived from a mixture of different races, such as the European, the African and the Indian and claiming that Brazil was indeed, not a European nation. This idea was later modified in order to add the Japanese contribution to the formation of the Brazilian people.

By the anniversary of Brazilian independence in 1922, intellectuals were crying out for the "Brazilianization of Brazil". During an event organized in São Paulo in this same year, the "Modern Art Week", a group of intellectuals gave rise to a modernist movement within Brazilian arts. Intellectuals taking part in this event instigated the idea that Brazil should stop importing European values and culture and should promote Brazilian folklore and history. They stated, "We are the sons of the hills and the forests. Stop thinking about Europe. Think of America." As a consequence, around this time significant elite and middle class groups began valuing the presence and the contributions of non-white Brazilians and slowly abandoned the ideology of the supremacy of the white race that dominated Brazil in the 19th century.

This does not mean, however, that Brazil became a country free of racism in the 20th century. Brazil does not have a "racial democracy" as some scholars have argued. You need only to see the large number of blacks and mulattos who comprise the population of the favelas and who comprise most of the lower working class in the country.

However, what Brazil created, was a society which tried to assert its own nationalism by accepting, at least at the level of popular culture, the contributions of all of its immigrant groups and by developing the notion that Brazil was indeed not an European nation but a rich and diverse society. This idea which was first defended by intellectuals was further promoted by politicians such as Getulio Vargas and it gained general acceptance during the mid-20th century. It was, for instance, during the first government of Getulio Vargas in the 1930s that carnival became to be promoted as the expression of an authentic national Brazilian heritage.

This new nationalistic approach to Brazil affected mostly the way the elite approached Brazil's blacks and it reflected the manner in which the descendants of Africans slowly came to be accepted as part of Brazil. However, this approach also influenced Brazilians to value the contributions of all immigrant groups Brazil has received. Perhaps, with the exception of some Germans from Southern Brazil, we can say that most immigrant groups have become acculturated to Brazil and have contributed in different ways to the creation of a Brazilian identity.

The Japanese would probably be the group which would have a more difficult time to adapt due to the fact that they came to Brazil much later than all other groups and due to the fact that they were the only Asians that came to Brazil in significant numbers. However, in a recent visit to Japan, I could see how different the Japanese-Brazilians who have immigrated to Japan are from the Japanese from Japan. I witness how shocked Japanese people are to see people who look so much

like them acting in such a different manner. The Japanese don't understand why Japanese-Brazilians are always hugging and kissing each other and talking loudly on the streets. These are aspects of Brazilian culture and not of Japanese culture.

Social Impact of Immigration:

Now I would like to talk about the social impact which immigration has had in Brazil. First I should say that the arrival of European immigrants affected the social position of Brazilian blacks. The immigration of large numbers of whites meant that the blacks now faced increased and unfair competition for jobs. The European newcomers had the advantage of being white and of having an easier route to social improvement.

I should also say that the constant flow of European immigrants had a profound impact on the racial structure of Brazil's population. For instance today, the city of Salvador, in Bahia, is considered the "African" city of Brazil. Yet, in the early 1800s, Rio housed the largest black population in the Americas. However, Rio today is not considered the "black city" of Brazil. This is in large part because of the large number of white immigrants that Rio received throughout the nineteenth and early twentieth centuries.

Another impact of immigration in Brazil is that miscegenation between European immigrants and blacks served to diminish the black presence in the country. The racial system of Brazil in which appearance rather than ancestry determined racial classification, corroborated and was, probably, a consequence of the elite's policy towards the "whitening" of Brazil's population. "Lighter" mulattos had a tendency to identify themselves with their white predecessors and to deny their African ancestry.

This does not mean, however, that the African influence in Brazil was lost. The country still has a significant number of residents of African descent, and African culture is evident, even today, especially in music, food and religion. In fact, African culture, in many ways, has survived better in Brazil than the culture which was brought by the Portuguese. For instance, Portuguese music is not particularly popular in Brazil. Even the Portuguese language, in the way that it is spoken and written in Portugal, is not well accepted.

Therefore, to conclude, I should say that immigration has been a very real aspect of Brazil's history and it had a profound impact on the country. Moreover, I could also say that despite its diverse population Brazil has been able to create a society which, although is not free of racial prejudice, has accepted the contribution of all of its peoples and together these created the rich Brazilian culture of today.

Table 1: Most Important Slave Importers in the Americas (1451-1870)

Brazil	3,646 800
British Caribbean	1,665 000
French Caribbean	1,600 200
Spanish Caribbean	1,552 000
Dutch Caribbean	500 000
British North America	399 000

Source: P. Curtin. *Atlantic Slave Trade*. (Madison, 1970), p.268

Table 2: Number of Foreigners Registered in the Police Department of Rio de Janeiro, April/1831 and May/1842

Portuguese	18,427
French	1,346
Spanish	869
English	406
Germans	268
Swiss	185
Genoese	159
Italians	155
Prussians	151
Sardinians	145
Hanoverians*	122
Uruguayans	78
Americans	77
Argentines	59
Danes	54
Austrians	41
Belgians	36
Africans	21
Others	434
Total	23,025

Source: Arquivo Nacional do Rio de Janeiro. Apresentação de Passaportes de Estrangeiros na Polícia. Códice 381, volumes 1-16

* Includes people from Hamburg

Table 3: Immigrants Entering Brazil, 1851-75

Portuguese	151 845
German	36 915
Italian	9 528
Others	100 508
Total	300 632

Source: Richard Graham. "1850-1870." In: Leslie Bethell. Brazil: Empire and Republic, 1822-1930. (Cambridge, 1989), p. 137.

Table 4: Most Numerous Immigrant Groups Entering Brazil, 1890-1929

Italian	1 156 472
Portuguese	1 030 666
Spanish	551 385
German	112 593
Russian	108 475
Japanese	86 577
Austrians	79 052

Source: Maria Tereza Schorer Petrone. "Imigração." In: *História Geral da Civilização Brasileira*. Tomo 3, vol. 2 (São Paulo: 1978), pp. 100-101.

Due to a printing error, none of the endnotes from the article "Immigration and the Formation of the Brazilian People" by Rosana Barbosa Nunes, were included in the printed version. Please go to "<http://www.glendon.yorku.ca/rosananunes>" for the complete version of the article.

PAST ECONOMIC TRENDS IN BRAZIL: THE PRELUDE TO CURRENT ECONOMIC ISSUES

Albert Berry

Brazil made major economic gains over the 20th century. One indicator of low productivity of an economy and the correspondingly low – income levels is life expectancy. Around 1930 the average life expectancy of people born in Brazil was about 29 years. Now it is about 67 years. The dramatically low 1930 figure reflected extremely high infant mortality rates, widespread malnutrition, and poor sanitary conditions. Today's Brazil, while still having a high share of all the poor people in Latin America, especially concentrated in the Northeast, is a very different country from what it was in 1930.

The extent of the differences reflect the fact that Brazil over the 35 year period (1945-1980) achieved the highest average growth rate of GDP in the world, at nearly 6% per year. Although population was also growing fast - at its peak in the 1950s at around 3% per year, the economy was able to outrun this population growth and leave a considerable increase in per capita income (at over 3% per year), which amounted to something over a tripling for the period. During this fast growth phase there was a rapid and massive shift of people from rural areas to urban ones as the relative importance of agriculture gradually fell and that of industry and services rose - the standard pattern of structural change in a growing economy.

Like virtually all developing countries, the early phases of Brazil's growth were built on a base of primary sector output and exports; in this case coffee was the first dominant export product and Brazil has long been the world's largest producer of that item. Beginning to some extent in the years of the Great Depression (1930s), Brazil followed an import substitution industrialization (ISI) strategy of development, consistent with the teachings of Raul Prebisch and the Economic Commission for Latin America, which he headed for many years beginning around 1950. Brazil's industrial sector developed rapidly behind high protectionist walls, facilitated by the coffee and other exports which permitted the import of machinery and raw material for manufacturing which could not be efficiently produced in the country. As noted, growth was fast over the 1945-1980 period as a whole, though it did have its ups and downs; the high point was the period from the late 1960s through the early 1970s (the so-called "Brazilian Miracle") when growth was in the range 8-9% per year. Growth slowed when OPEC raised oil prices in the mid-1970s, since Brazil was and is an oil importer so a rise in the price of that product was deleterious to growth.

At that time Brazil made a difficult decision--to borrow on the international capital market in order to keep growth moving rapidly. This looked like a reasonable decision at the time since real interest rates on such lending were very low. As its international debt was being built up by this borrowing, Brazil was also pursuing a rational plan of investment in industries (primary and secondary), which would raise the country's export capacity by the early to mid-1980s. Had the events which precipitated the international debt crisis of the 1980s not transpired, it is reasonably probable that Brazil's plan would have worked out nicely, the exports would have risen to allow the country to gradually pay off the debt acquired in the 1970s, and we would all be applauding the wisdom of the policy choice made at that time to borrow in order to keep on growing fast. (Without borrowing, Brazil would have had to suffer a recession since it would not have been able to import enough raw materials and intermediate goods to keep its industrial establishment operating at full capacity; this would have lowered GDP and caused the layoff of many workers).

But bad luck came now in the form of the decision by the recently elected Reagan in the U.S.A. and Thatcher in the U.K. to rein in the inflation in their countries by tight monetary policy and the accompanying recessions. Their lead was followed by many other countries. The impact on Brazil was twofold. First, as the inflation in key countries like the U.S.A. and the U.K. fell the real interest rate on international debt rose and the burden of a given amount of debt for a country like Brazil therefore jumped up sharply. Secondly, the recession in the industrial world made it harder to sell in those countries and, thereby, raise the money needed to service the international debt. This scissors effect – the real interest payments required on the debt rose but earning the foreign exchange with which to pay that debt service became more difficult. This combination made it impossible to escape the looming crisis. As the debt crisis deepened, the sources of international credit dried up, so even if a country like Brazil had a good plan to work its way out of the debt gradually, no one was willing to advance the credit needed to implement that plan. So Brazil, along with many others, was plunged into the debt crisis-induced economic crash which ultimately meant that there was almost no growth over the 1980s as a whole, and per capita incomes were lower at the end of the decade than at the beginning. Worse than this, Brazil's growth dynamic had been broken. When a country is growing fast, it is relatively easy to keep growing; there is a lot of positive inertia. When a country is economically stagnant, it is hard to climb out of that rut – inertia works against it. So, sadly, Brazil's positive inertia was replaced by a negative one and the country has not yet been able to recover strong and stable growth. There have been bursts of a couple of good years in a row since then but nothing like the success of the pre-1980 period.

The Achilles heel of Brazil's overall economic performance has always been the extreme levels of income inequality. In this regard Brazil and South Africa are usually regarded to be at the top of the dubious hierarchy. The average income of the top 10% of the population is usually about 80 times that of the bottom 10%. There is a great regional concentration of poverty in the Northeast, and a continuous exodus from that region via migration toward the South or the West. Education is very unequally distributed in Brazil; quite a few people have higher (university) education while many (now more the older people) have none. These aspects of inequality date back to a very unequal distribution of land and to a history of slavery, which kept equilibrium wages low, together with an immigration policy designed to achieve the same effect. Inequality tends to get passed down from generation to generation, and this has happened strikingly in Brazil. The relative income gaps between rich and poor have not changed greatly since measurement started nearly 50 years ago. The upshot of the extreme inequality is that the high level of poverty suffered in Brazil is unnecessary in the technical sense that there is enough income to go around, were it better distributed, something one cannot say about the really poor countries of the world like Ethiopia.

Since the early 1980s, when Brazil was plunged into crisis, there has been a complicated and thus far unsuccessful attempt to recover a solid growth path by adjusting to the changing international conditions. The last two decades have witnessed a dramatic policy shift in Latin America and, in varying degree, around the developing world towards liberalization of markets and towards outward orientation. This has been strongly encouraged (through conditionalities imposed on borrowers) by the IFIs - the international financial institutions (International

Monetary Fund and World Bank). The Free Trade Area of the Americas (FTAA) currently under discussion is one manifestation of this shift towards market-friendly policies and openness.

Brazil has been, on average, a reluctant participant in this policy shift. The reasons are not too hard to see. First, Brazil did very well, indeed, under the old ISI model and has not come close to replicating the growth performance of that model since it went into abeyance in 1980. Other Latin American nations did not do so well under that model; it was the two largest countries – Brazil and Mexico, whose growth was fastest during those decades, suggesting (as does economic theory) that such inward-looking policies are likely to work best in relatively large countries with big internal markets. During that ISI period, although income distribution remained quite unequal, there was a lot of “trickle-down” to the poor and the incidence of poverty fell considerably from its initially extremely high level. The ISI policy allowed Brazil to nurture a number of industries behind protectionist walls before subjecting them to international competition, a general strategy similar to those of the East Asian tigers like Korea. Giving up this opportunity to protect “infant industries” is one of the costs of the free trade option favoured by the IFIs. Another fear that Brazil may have is that under an FTAA the United States will have excessive control over events in the hemisphere – they might be looking at our softwood lumber dispute with the Americans as an example of what happens to countries in free trade pacts with the U.S.A. – trade is not fully free and the Americans have the political clout to mainly determinate the rules of the game.

The current Embraer-Bombardier conflict must be seen in the context of the history of Brazil's industrial policy. That policy has for decades been geared towards pushing the country up the ladder of technological sophistication – something which all of the successful countries of East Asia have done, beginning with Japan. The airline industry is symbolic of that success in Brazil. One can argue about whether this is the optimal strategy for a country like Brazil, but in any case it has been their choice. Before the freer trade world in which we now live, the subsidization of exports was much more widespread and accepted than it is now; though industrial countries continue to give themselves the luxury of subsidizing agricultural exports. Brazil is clearly trying to maintain some degrees of freedom in the face of the new rules of the game, with which it does not fully agree.

One of the big questions for Latin America's future is whether and when its largest country, Brazil, can regain a growth dynamic which would put an end to the legacy of the lost eighties and the sputtering nineties. I am hopeful that this will transpire fairly soon. I believe that the country's strong performance earlier in the last century is indicative of a real growth potential, a dynamism there to be tapped under favourable conditions. The conditions have not been favourable for some time now, but I am hopeful that they will become so in the foreseeable future. When this happens it will be a great boon to Argentina, now significantly linked to Brazil through the MERCOSUR and to other countries of the region. And Brazil will only be able to exercise the leadership within Latin America, which only it can exercise, when it is growing strongly. Whether this will come about in the next five years, or the next ten years, or a longer period is, however, the big unknown at this time.

POLITICS, PRESIDENTIAL ELECTIONS AND THE ENERGY CRISIS IN BRAZIL

Annette Hester

First, I would like to congratulate the students and professors for organizing such a high caliber event. You are setting the bar for area studies in this case Brazil, and we, at the University of Calgary, look at it as a new standard. Thank you for the invitation to be here with you today to share what I hold most dear: all things Brazilian! And, it gives me the pleasure of spending time with good friends and colleagues.

I was asked to speak to you about Brazilian politics. I imagine one would say, well that is simple enough: Brazil is a federation, has a presidential system, a congress and a judiciary, states and territories, a return to democracy since 1984, and direct presidential elections since 1989. Fernando Henrique Cardoso, our president, is completing his second and last mandate. And, in the mist of what is shaping up to be a turbulent year for South America with troubles in Argentina, Colombia, and Venezuela –, the forecast for Brazil is fairly stable in spite the fact that we will have presidential and gubernatorial elections in October.

Yes, this is election year in Brazil. And this reality, you will see, makes this year unique. Just think about this: according to statistics published by the Electoral Tribunal, mentioned by Dr. Edmilson Moutinho dos Santos in his latest publication "The Brazil and Gas Sector – Outlook and Working Opportunities," in the last municipal elections of 2000, there were over 5500 mayors elected, the great majority of them from 12 different parties, yet 261 of the 5500 elected mayors belonged to other parties. At the federal level the story is much the same. There is so much fragmentation, party switching, and overall weakness in the political party system that governing Brazil isn't about executing a well organized plan, it is about the art of making deals in congress sometimes by friendly (way too friendly) means and other times by blackmailing. However, the reality is that Fernando Henrique Cardoso has been governing by what we call "medida provisoria" – provisory instruments that allow the executive to override congress and the judiciary to impose its will. This is far from a democratic way to run a country. The consequence is a weakening of the institutions, a legal system that is beyond the comprehension of even the best legal minds, and an inefficient and clogged up court system. On the other hand, without this tool how do you deal with the ridiculous and unmanageable proliferation of parties?

To give you a flavour of the complexity of the scenario in Brazil let us look at the upcoming presidential race. The three party coalition that led Cardoso to victory, PSDB, PFL, and PMDB is breaking up and it looks like each will have its own candidate. The problem is that Cardoso has been plagued by low approval ratings – a result of the voters' perceptions of problems with unemployment, hunger, health, violence, energy crisis, and corruption – which is translating into the inability to help his party presidential candidate Jose Serra. Serra is having a very hard time getting his campaign going. For the moment, and as you know, eight months are a lifetime when it comes to political campaigns, according to opinion polls, the leading candidate is the Partido Trabalhista's (Worker's Party) Luiz Inácio Lula da Silva, or as he is known to Brazilians, Lula. This is Lula's fourth attempt to become Brazil's president and not the first time he has led the opinion polls early in the campaign. Up to now, Brazilians have been reluctant to elect someone who sees Venezuela's Chavez, and Cuba's Fidel Castro as role models. The second placed contender is Roseana Sarney, the photogenic governor of the State of Maranhão,

daughter of senator and former president José Sarney, and sister of the current environment minister José Sarney Filho. As you can imagine, she is not a lightweight when it comes to politics in Brazil. For now, the remaining candidates remain bunched together at quite a distance. Who is going to win I don't know but it almost doesn't matter because governing with a super-fractured congress is going to be impossible for anyone.

David Fleicher, a talented political scientist from Universidade de Brasília, wrote a few weeks ago in his weekly newsletter "Brazil Focus," "...the scenario is further complicated by the fact that out of Brazil's 27 governors, 13 can't be reelected as governors but can as a senator, deputy or president. Of the remaining 14, three may run for president or vice." Note that if you are going to run for another post you must resign your position by April 16th. That means that for most of this year the country is going to be run by Vice governors. Will anyone get anything done this year in Brazil? I have a difficult time answering this question if I try to think of the overall picture. But let's take a look at the reality in the energy sector.

I am not sure if you are aware but Brazil has been living an energy crisis California-style – that seems to be easing up thanks to a successful rationing program, a slowdown in the economy and a lot of help from São Pedro, the saint responsible for rain. The crisis was a result of overuse of reservoirs and lack of rain, causing extremely low water levels (hydroelectric power accounts for over 90% of the country's electricity production). To make matters worse, lack of transmission lines meant that even though some regions did have higher reservoir levels, electricity couldn't be delivered where it was needed. The situation became so drastic that in the middle of May the government announced a mandatory rationing program for everyone. Residential, commercial, and industrial users were required to decrease their electricity consumption by a whopping 20%. The crisis happened in spite of the fact that experts had warned the Government since at least 1996 that investment in that sector was insufficient. New hydroelectric projects were not approved, investment in transmission lines did not take place, and the gas transport, pricing, and electrical pricing regulations were so flawed that investment in alternative sources was not forthcoming.

While the worst seems to be over, the reasons for this reversal of fortunes seems more circumstantial than planned. The December newsletter from Brazil's Central Bank suggests that the stringent cutbacks will be relaxed after February, bringing permitted power usage back to approximately 95% of 2000 rates. Critics are quick to point out that the changes needed in the regulatory environment to create stability and lower risk factors have not been forthcoming, rendering the predicted reduction in rationing merely an election campaign tool. However, if it is true that, although he had been warned, Cardoso failed to act in order to avoid the electricity rationing, other leaders in more developed countries with a great deal more experience in regulatory matters suffered the same fate. That speaks to a problem that faces all countries, developed or not: getting the regulatory regime right.

In this area, especially taking into consideration the far-reaching changes introduced by Cardoso in Brazil's oil and gas environment during his eight-year tenure, perhaps history will judge him with a lot more candour than his countrymen. After all, he presided over the 1995 constitutional change that loosened up regulations in the sector to allow foreign investments in the exploration and

production of oil and gas in the country. In 1997, he enacted legislation that created a regulatory agency the Agência Nacional do Petróleo (ANP) charged with regulating all activities related to oil and gas, from exploration to the gasoline pump. He kept his 1996 promise of not privatizing Petrobras, the Brazilian energy company controlled by the government and still managed to replace and change the legal composition of the Board of Directors to allow the company to function as a competitive agency while keeping its control in government's hands. These are considerable accomplishments.

The transformation of the hydrocarbon sector in Brazil offers a great case-study on the challenges a government faces when trying to find the right formula to go from a monopoly system to an open, free competition, economic model. Setting the rules and finding the delicate balance between maintaining the strength of Petrobras the national petroleum company and a reason for much national pride – and stimulating fair competition requires skilled leadership and a lot of political wallop. That seemed to be the case with the team Cardoso had in place in early 1999. Rodolpho Tourinho, Minister of Mines and Energy, made a series of controversial decisions from the moment he accepted his position in January 1999. Although some will argue that much of the electricity debacle was exacerbated by his dealings with the electric sector regulatory agency (ANEEL), it is widely accepted that the choice of economist and financier Henri Philippe Reichstul as the new president for Petrobras certainly paid off in unexpected ways. When his name was first announced, the market reception was less than warm. After all, what do you make of a president of one of the largest oil companies in the world who has never seen a rig in his life? Reichstul proved to be a fast learner. Undaunted by anyone's perception, he went about asking as many questions as possible and applying his vast experience in the financial markets to move the company into a new era. Without a doubt, the Petrobras of today is a completely different company than the one Reichstul took over. It is an integrated energy company with a clear strategic vision and accountable to shareholders. There were also some very low points: the sinking of ocean oil platform P36 and the oil leak in Guanabara Bay. Nonetheless, under Reichstul's leadership, the government was not able to use the company for every political whim as it had in the past, in spite of its majority shareholder position.

Sparring with Reichstul was an equal heavyweight at the ANP. David Zylbersztajn, the Director General of the agency, was clearly qualified for the job. An engineer by training with a Ph.D. in energy economics, he spent his career as an academic until he was invited by the State of São Paulo to head the energy portfolio. There he was responsible for designing the electric and gas distribution privatization strategy. It didn't hurt that Zylbersztajn was married to Cardoso's daughter. So the stage was set: Tourinho maneuvered in the larger political sphere, Reichstul kept the government out (as much as possible) of Petrobras' internal affairs, and Zylbersztajn made sure that Petrobras did not run the energy sector for the government.

But political power has a fleeting quality. It can turn on you at the drop of a hat, and that is what happened to both Tourinho and Zylbersztajn. The Minister of Mines and Energy was caught in a fight between Cardoso and the legendary politician from Bahia, Antonio Carlos Magalhães, his political "godfather." Magalhães lost, and Cardoso wasted no time in eradicating Tourinho's presence

from the government's political structure. Tainted by the dispute, Tourinho was asked to resign in February 2001. Zylbersztajn's predicament was far more delicate. After almost a year of rumours, he announced that his marriage was over, and that he would be separating from his wife (Cardoso's daughter). To no one's surprise, Brazilian politics being as personal as it is, Zylbersztajn resigned his position in November. Instead, Reichstul's resignation in December (which took effect in January 2002) came as a complete surprise for both the market and Petrobras' staff. There was a lot of speculation that he was not getting along with the new minister of Mines and Energy, José Jorge, and with the ANP, with whom he had been battling over the rights to an exploration bloc (BCAM 40). However, Reichstul insists that this reasoning is completely false. He claims he had finished a work cycle, and his family, who remained in São Paulo (Petrobras' headquarters is in Rio), demanded his presence.

So, in an election year, Brazil is faced with a completely new team at the helm of every energy-related portfolio. The odds are that it will be hard to get a lot of movement and resolution of outstanding issues when everyone has a steep learning curve. The new minister of Mines and Energy, José Jorge, has been at his post the longest. He was appointed in March 2001. Although he has been hard at work, he had to face the electricity crisis straight off the bat, and since then the continuous difficulties of managing a complex portfolio. According to his CV, Jorge, a career politician, worked mostly in education and culture portfolios, and has had virtually no experience in the energy sector. The new Director General of the ANP, Ambassador Sebastião do Rego Barros Netto, a distinguished career diplomat, is also new to the energy portfolio. Also, after spending the last decade in international postings, it is not clear how well-connected he is inside the political system in Brazil. However, that might be a plus instead of a minus. The possibility of having the head of a regulatory agency not connected to any special group makes for good regulation. Also, Rego Barros' extensive negotiating skills should come in handy when dealing with the problem of departmental jurisdiction over the environmental licenses. Petrobras' new president Francisco Gros is the only one of the three that come to the job with experience in the sector. In his capacity as President of the Banco Nacional de Desenvolvimento Econômico (BNDES) - Brazil's development bank and one of Petrobras' major stockholders - he had a seat on the company's board. Consequently, he is well equipped to continue the work Reichstul set in motion. As he mentioned in his inaugural speech "in the last year of a government there is not much to invent." So, it looks that, in this presidential election year, Brazil will be like a stay the course kind of place!

URBANIZATION IN BRAZIL: CHALLENGES AND INNOVATIVE SOLUTIONS¹

W. E. (Ted) Hewitt

Introduction

To Canadians, Brazil is perhaps best known for its coffee, World Cup winning soccer teams, famous landmarks (such as Rio's Corcovado), sandy ocean beaches, and of course, the world's largest and most spectacular pre-Lenten party, Carnaval. It is also largely seen as firmly situated within the ranks of the world's developing nations. Yet, in many respects, Brazil is clearly an emerging world power. With a population of 171 million spread over an 8.5 million square kilometre territory, the value of goods and services produced in the country exceeds US\$750 billion, making Brazil the world's eighth largest economy.

With well over three-quarters of its inhabitants living in cities, Brazil is also one of the world's most urbanized countries. Further, much of the urban population is resident in a handful of the country's largest cities, as is shown in Table 1. Of these, both São Paulo and Rio de Janeiro are among the Latin American region's (and the world's) largest. Even some of the "smaller" cities on the list are, however, still larger than Canada's major metropolis, Toronto.

Table 1. Population of Brazil and Brazil's Major Cities

Brazil	171,000,000
Belém	1,619,243
Fortaleza	2,650,431
Recife	3,130,430
Salvador	2,758,392
Belo Horizonte	3,889,700
Rio de Janeiro	10,287,078
São Paulo	16,859,712
Curitiba	2,504,484
Porto Alegre	3,301,285

Source: EMPLASA, *Sumário de Dados da Grande São Paulo* (São Paulo: Empresa Metropolitana de Planejamento, S.A., 1997)

Brazil's Urban Challenges

Most of these cities have experienced extremely dramatic expansion since the 1960's, with annual growth rates approaching 10 percent in some centres. Given generally restricted public financing, most municipalities have been ill-equipped to provide the vital services and infrastructure required to deal with their burgeoning populations. By the end of the 20th century, most cities in Brazil were facing a number of critical challenges, among them: growing urban poverty, inadequate educational facilities, lack of public services such as sewerage, inadequate transportation and communication infrastructure, and air and water pollution. We examine each of these challenges in turn below.

Table 2. Percentage of the Population Resident in Families Earning Less Than \$10,000 per Year

Brazil	55
Belém	45
Fortaleza	62
Recife	61
Salvador	59
Belo Horizonte	47
Rio de Janeiro	44
São Paulo	29
Curitiba	36
Porto Alegre	41

Source: EMPLASA, *Sumário de Dados da Grande São Paulo* (São Paulo: Empresa Metropolitana de Planejamento, S.A., 1997)

As Table 2 reveals, urban poverty in most Brazilian cities is endemic. Even in some of the more "affluent" areas of the south, such as São Paulo, Curitiba, and Porto Alegre, the percentage of individuals belonging to families earning the equivalent of Can\$10,000 per year (providing for standards of living barely above the subsistence level) ranges from about 30 to 40 percent – far higher than that posted for developed countries such as Canada. In Brazil's poor northeast region, the incidence of urban poverty is alarming, with upwards of 60 percent of the population resident in families earning less than \$10,000.

Table 3. Illiterates as a Percentage of the Population

Brazil	19
Belém	9
Fortaleza	20
Recife	18
Salvador	13
Belo Horizonte	10
Rio de Janeiro	8
São Paulo	9
Curitiba	9
Porto Alegre	9

Source: EMPLASA, *Sumário de Dados da Grande São Paulo* (São Paulo: Empresa Metropolitana de Planejamento, S.A., 1997)

Literacy rates vary in a similar fashion (see Table 3). In Brazil's north and northeast, the number of Brazilians who can neither read nor write reaches 20 percent of

the population. And while rates are less than half this in the rest of the country, rates of illiteracy are still many times higher than in Canada (1%) or other developed countries. As Table 4 reveals, part of the problem is related to participation in education. At least two-thirds of urban residents throughout the country have received only 8 years of formal schooling or less.

Table 4. Percentage of the Population with 8 Years of Schooling or Less

Brazil	80
Belém	66
Fortaleza	77
Recife	75
Salvador	71
Belo Horizonte	75
Rio de Janeiro	68
São Paulo	72
Curitiba	71
Porto Alegre	71

Source: EMPLASA, *Sumário de Dados da Grande São Paulo* (São Paulo: Empresa Metropolitana de Planejamento, S.A., 1997)

As can be seen from Tables 5 and 6, some basic services which Canadians take much for granted are frequently lacking in many Brazilian cities. For example, by the late 1990s, only about a third of Brazilian homes had telephone service. Most residents in cities such as São Paulo, Rio de Janeiro, and Belo Horizonte have access to adequate sewerage; yet this is clearly not the case in cities such as Porto Alegre, Fortaleza, or Belém, where a minority of residents have such access.

Table 5. Percentage of Homes with Telephone Service

Brazil	22
Belém	33
Fortaleza	22
Recife	16
Salvador	30
Belo Horizonte	31
Rio de Janeiro	29
São Paulo	35
Curitiba	36
Porto Alegre	22

Source: EMPLASA, *Sumário de Dados da Grande São Paulo* (São Paulo: Empresa Metropolitana de Planejamento, S.A., 1997)

Table 6. Percentage of Homes Connected to Municipal Sewer System

Brazil	39
Belém	7
Fortaleza	13
Recife	27
Salvador	35
Belo Horizonte	71
Rio de Janeiro	56
São Paulo	78
Curitiba	37
Porto Alegre	22

Source: EMLASA, *Sumário de Dados da Grande São Paulo* (São Paulo: Empresa Metropolitana de Planejamento, S.A., 1997)

Of course, poverty, lack of education, and inadequate sewerage are all factors contributing to poor health, as is the lack of adequate hospital and medical care facilities. Evidence of the state of health care in most cities is provided by continuing high rates of infant mortality, as Table 7 shows. Infant mortality rates range from a high of 59 per 1000 live births in Belém, to a low of 22 in Porto Alegre – still 4 times higher than the Canadian rate.

Table 7. Infant Mortality Rate (Deaths per 1000 Live Births)

Brazil	35
Belém	59
Fortaleza	38
Recife	51
Salvador	23
Belo Horizonte	33
Rio de Janeiro	35
São Paulo	26
Curitiba	29
Porto Alegre	22

Source: EMLASA, *Sumário de Dados da Grande São Paulo* (São Paulo: Empresa Metropolitana de Planejamento, S.A., 1997)

Brazil's Innovative Solutions

Such challenges are not, of course, insurmountable, providing that sufficient resources can be brought to effect their resolution. As mentioned previously, however, most Brazilian cities operate on extremely limited budgets. For example, with over 5 times the population, the municipal budget of the city of São Paulo is almost equal to that of the city of Toronto at about \$5 to 6 billion. Given these financial constraints, politicians and administrators in Brazil's cities have had to devise frequently novel solutions to the problems facing them. Here we review four types of innovations in the areas of planning, governance, infrastructure and services, and poverty relief, respectively.

With respect to planning, first of all, we are now seeing in Brazil the establishment of "planning secretariats" in an increasing number of Brazilian cities. Such bodies were all but absent in most centres throughout much of the last century, but perform a vital function in helping decision-makers to allocate resources to areas of critical need – especially when such resources are in short supply. Also emerging are regional planning bodies with responsibility for the coordination of planning among constellations of municipalities. These organizations provide a vital service in bringing together groups of highly trained municipal experts who are able to advise municipal government on zoning, space planning, urban renewal, land taxation, and other issues. A good example of the latter is the Metropolitan Planning Company in São Paulo (EMPLASA), which is responsible for the collection and analysis of data used in the broader planning process in the Greater São Paulo region. Such practice builds upon the experience gained in Brazil's existing "planned cities." The best known of these are Brasília and Belo Horizonte, both of which continue to provide living models of practices which are available for emulation by other Brazilian cities.

The strengthening of local governance – through the adoption of participatory democratic and sound administrative practices – has also been prioritized in many regions of the country. A few organizations, such as Brazil's Institute of Municipal Administration (IBAM), are working to facilitate this process by providing information on best practices and organizational restructuring to municipal governments throughout Brazil. Many municipal governments have also embarked upon ambitious "democratization" programs. One of the best known of these is the "participative budgeting" process now in place in many Brazilian cities, which allows ordinary citizens the opportunity of deciding how scant resources are to be applied to the resolution of municipal problems.

On another front, service delivery in a number of areas in Brazil has been strengthened as a result of municipal cooperation programs (both national and international) which allow cities to share information and "know-how" with respect to program delivery. For example, a partnership exchange program involving the cities of São Paulo and Toronto allowed the former to improve its municipal ambulance system through better training and equipment acquisition, and to find ways to encourage developers to contribute financially to the financing of public housing schemes. Some cities have developed solutions which they have then shared with others, both in Brazil and elsewhere. In the transportation services area, the city of Curitiba has developed a home-grown solution to increasing the

capacity of public transit and reducing traffic congestion through the development of an "above-ground" subway involving the use of dedicated bus lanes combined with limited access stations.

New programs to help reduce urban poverty are in place in a number of Brazilian cities. One innovative program is the "sacolão", an initiative involving the resale of "second grade" fruits and vegetables at municipal markets at standard "per kilo" rates. With federal funding, many cities have implemented "pay for school" programs, which transfer cash directly into the hands of poor families as replacement funding for earnings children would otherwise acquire working illegally. "Food for trash" programs have also been undertaken in selected municipalities, whereby residents are offered free food in exchange for trash and other litter which they collect and deposit at central collection sites.

Conclusion

Even taken together, programs such as these will not resolve the pressing problems facing Brazil's cities overnight. They do represent extremely important steps forward, however, in allowing cash strapped municipalities to deal with some of the more pressing issues facing urbanites, especially those with limited incomes. As such, they provide real models for urban centres in other parts of the developing world, and perhaps even for developed world cities which are increasingly subject to budgetary restrictions imposed by cutbacks in funding from higher levels of government or legal restrictions on municipal fundraising.

1 Summary of a talk given at the Brazil Conference, Glendon College, 23 February 2002. Not to be cited without permission of the author.

URBAN FOOD SECURITY POLICY: THE CASE OF BELO HORIZONTE, BRAZIL

Cecilia Rocha

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Introduction

Researchers at the International Food Policy Research Institute (IFPRI) have recently presented data and analyses confirming that the locus of poverty and malnutrition has been changing worldwide from mostly rural to mostly urban (Haddad et al., 1999). The "absolute number of poor and undernourished in urban areas is increasing and is accounting for an increasing share of overall poverty and malnutrition" (ibid., p.1891), they argue. Such trend has tremendous implications on how researchers and policy makers should approach issues of food insecurity and undernutrition. IFPRI's researchers suggest, for example, that it is time to give up the notion (held by many governments throughout the world) that urban food insecurity is primarily a problem of adequate supply of food. For most cases, it is not. Rather, urban food insecurity is primarily due to the inability of poor households in urban areas to access safe, quality food in sufficient quantities. They also suggest that more research is needed on urban poverty and undernutrition (ibid., p. 1898). In particular, there seems to be a dearth of models for policy and programs in this area, suggesting the need for documentation of best practices in local and national programs (Ruel, et al., 1999).

The case of an urban, local government program that introduces some innovative bases for food security policy is the subject of the present paper. The objectives are 1) to describe the main projects under this program, making this case more widely known; and 2) to suggest some of the factors leading to, or accounting for, the program's apparent success. Reflections on the possible lessons to be learned from the BH case for the development of effective urban food security policies elsewhere are offered in the conclusion.

I. THE FOOD SECURITY PROGRAM IN BELO HORIZONTE, BRAZIL

Belo Horizonte, capital of Minas Gerais state, is the fourth largest city in Brazil with a metropolitan population of over 2.4 million. In the early 1990s it was estimated that 38% of families in the region lived below the poverty line (Lopes and Telles, 1996), and 44% of all children lived in poverty (CMCA, 1994). In 1995, close to 20% of children aged 0 to 3 years old showed some degree of malnutrition (SMAB, 1995).

In 1993, the newly elected municipal government of Belo Horizonte (BH) initiated a program to develop initiatives to reduce food insecurity in the city. From local public opinion polls, to expert observations and academic studies, the consensus seems to be that the BH program is addressing some of the most significant challenges associated with hunger and malnutrition, and that it could serve as a model for other municipalities in Brazil, in other developing countries, and even in

developed countries. The BH program was the recipient in 1999 of the prize "Public Administration and Citizenship" promoted by the Getulio Vargas and Ford Foundations.

The key to the BH program is the Municipal Secretariat of Supplies (*Secretaria Municipal de Abastecimento* – SMAB) created by the City Government to develop and carry out an integrated policy addressing malnutrition and hunger in the area. All the projects designed by the staff at SMAB are guided by the notion of **food security**, interpreted as a principle: **that all citizens have the right to adequate quantity and quality of food throughout their lives, and that it is the duty of governments to guarantee this right** (SMAB, n.d.).

The program implemented by SMAB is divided into three main lines of action. The first encompasses policies geared to assist poor families and individuals at risk to supplement their food consumption needs. These are not simply emergency programs, but permanent initiatives whose progress is monitored by civil society groups.

The second line of action in the SMAB program is directed at the private sector in the food trade. Through partnerships with private food suppliers, the SMAB has been able to bring food to areas of the city previously neglected by commercial outlets. It has also adopted policies to regulate prices and control quality of basic staples, fruit and vegetables supplied under its program. The results obtained under these initiatives are being monitored by researchers at the Minas Gerais Federal University.

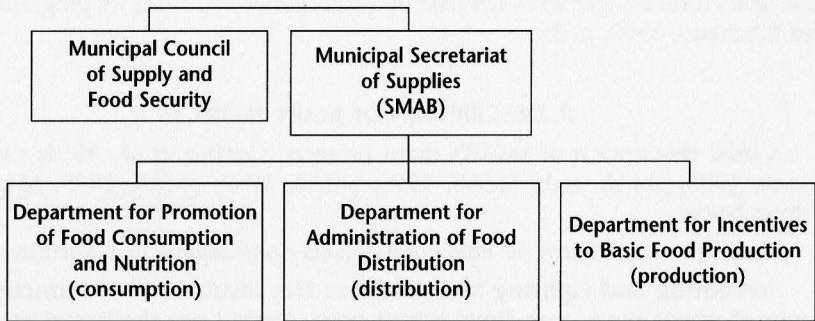
Attempts to increase food production and supply form the third line of action in the SMAB program. Initiatives here include technical and financial incentives to small producers, creation of direct links between rural producers and urban consumers, and promotion of community gardens and other forms of "urban agriculture".

The creation of the SMAB – a separate administrative structure, with its own budget – was necessary to centralize the planning, coordination, and execution of all municipal food security policies. This centralization has allowed for a fundamental review of how nutrition and food-related programs are perceived: from emergency (read "temporary") and "assistance" (read "marginal") initiatives to regular policies deserving of the same status as other (more traditional) public policies in areas such as health and education. This, according to its founders and professional staff, has been SMAB's greatest accomplishment to date: to mainstream food security into municipal public policy (Pessoa and Machado, 1999).

SMAB's organization

SMAB is organized in three departments, each responsible for the development and administration of the projects and initiatives under the three lines of action of its program:

Figure 1: SMAB's Organization



Department for Promotion of Food Consumption and Nutrition. The main functions of this department are to prevent and reduce malnutrition, specially among high-risk groups (children, pregnant and nursing women, and the elderly), and to promote healthy eating habits throughout the BH metropolitan region.

Department for Administration of Food Distribution. The main function of this department is to develop and administer market-intervention mechanisms for price control and quality check of food products made available in the region. It also aims at increasing the accessibility to quality food items in marginalized areas of the city.

Department for Incentives to Basic Food Production. The projects under this department have two main objectives: 1) to facilitate greater and more direct links between producers and consumers of basic food items, and 2) to promote urban agriculture. Through these projects, SMAB promotes higher incomes for small rural producers and greater access to quality food items for urban consumers.

COMASA (*Conselho Municipal de Abastecimento e Segurança Alimentar*) is the associated 20-member council created to advise SMAB on its projects and general program directions. It has representatives from other government sectors (municipal, state, and federal), labour unions (agricultural and industrial workers), food producers and distributors, consumer groups, and different non-governmental organizations (NGOs).

In 1995 SMAB had a permanent staff of 122 or 0.6% of all municipal employees. It also hired another 105 contract workers employed in its many different projects (Coelho, *et al.*, 1996). By 1998 its permanent staff had increased to 135 people; another 126 people were working under contract (Pessoa and Machado, 1999, p.4). Among its technical staff, SMAB employs nutritionists, social workers, food technicians, and economists.

SMAB's total budget for 1995 was US\$17.8 million. Out of that, 46% (US\$8.2 million) were transfers from the federal government (most of which were for the School Meals program), 45% (US\$8 million) came from municipal funds, and 9% (US\$1.6 million) were generated from its programs (Popular Restaurant, Popular Food Basket, and permit fees in the *Abastecer* and Worker's Convoy programs). The US\$8 million coming from the city represented 1.65% of the total municipal

budget for that year (Coelho, *et al.*, 1996). By 1998, municipal expenditures associated with SMAB's programs represented only 0.95% of the city's budget, and 11% of its total budget were covered by funds generated from its programs (Pessoa and Machado, 1999, p. 3).

II. DESCRIPTION OF MAIN PROJECTS

A brief description of SMAB's main projects (Coelho, *et al.*, 1996; Cunha and Lemos, 1996; SMAB, n.d.; SMAB, 1995; SMAB, 1997; SMAB, 1999; SMAB 2000) follows below.

Under the *Department for Promotion of Food Consumption and Nutrition*:

Preventing and Fighting Malnutrition: Free distribution of "enriched flour", a mix of wheat flour, corn flour, wheat bran, ground egg-shells and manioc leaf powder, rich in vitamins and minerals.

The distribution is done mostly through public health clinics to mothers of young children, pregnant and nursing women. Each woman receives 2 kg of flour per month, together with instructions on how to incorporate the mixture into common, everyday recipes. In the case of children suffering malnutrition, mothers receive 3 kg of a "special" enriched flour with powdered milk added to the mixture. In 1999, 19,658 children aged 0 - 5 years old were registered in the program – a significant increase from the 9,702 registered in 1994. Among pregnant and nursing women, 3,000 received the enriched flour packages through public health clinics in 1999 (Secretaria Municipal de Saúde, 1999).

The advantage of having the distribution of the enriched flour through public health clinics is twofold. First, it guarantees that the program reaches children at risk. Given the two-tiered health care system in Brazil, only low-income people receive care from public clinics with any frequency. The other advantage of this distribution method is that women and children under the program suffering from malnutrition can receive continuous medical attention. A study by the Municipal Health Department shows that, in 1998 75% of children diagnosed with severe malnutrition showed an improvement under the program. Only 5% of the children in the program presented some deterioration in their nutritional status (Secretaria Municipal de Saúde, 1999).

The enriched flour is also distributed to municipal public schools (as part of the School Meals program), and to day-care centres, nursing homes and hospitals which are run by charitable organizations and are registered into the program through the municipal Department of Social Work.

Federal government grants cover the cost of flour going to the School Meals program and the cost of milk added in the "special" enriched flour mix. But the bulk of the cost in the production and distribution of enriched flour is borne by the municipal government. In 1995, the regular mix cost R\$2.78/person/month, while the special mix cost R\$6.78/person/month. This was considered by SMAB's personnel to be a very cost-effective way of combating malnutrition among the people most at risk.

School Meals: Provision of nutritious meals to children (ages 6 to 14) enrolled in public municipal schools.

A federally funded school meals program has been in place in Brazil since 1954 under the Ministry of Education. The decentralization of the administration of the program was allowed only in the early 1990s when federal funds were transferred to municipal governments. In 1994 SMAB took over the administration of the school meals program in BH.

The program provides a meal per day to all students enrolled in the public school system. As in the case of the Preventing and Fighting Malnutrition program, the School Meals program presents a strong "self-targeting" feature given that public schools' pupils come mostly from low-income households. In areas of greater need (very poor neighbourhoods), the "all-year-long" school meals program is extended to serve children at municipal schools during vacation time. In 1999, 175 schools were in the program, benefiting on average 152,937 children per day.

Under the SMAB, the school meals program in BH has significantly improved its cost-effectiveness. After the decentralization of the program, the federal government maintained its funding formula, transferring R\$0.13/day per child enrolled in the public school system. The caloric content of school meals in BH, however, increased from a daily average of 199.63 in 1993 (before SMAB's administration) to 376.61 in 1995 (an improvement over 88%).

A number of changes adopted in the program under SMAB can explain the improvements achieved after decentralization of the school meals program. SMAB increased the number of its potential suppliers (and, hence, competition among them) in order to get lower prices on its purchases. As much as possible, suppliers were recruited among local producers and businesses, significantly reducing transportation and distribution costs (with an added bonus of providing greater incentives to the local economy).

The increased nutritional value of meals came from a combination of factors which include the reduced use of industrialized products and the increased purchases of fresh fruit, vegetables, cereal, eggs and meat. A different menu is offered for each day of the week. Meals are centrally planned by a group of professional nutritionists, and prepared by each school cooking staff trained by SMAB. Enriched flour is added to many of the recipes followed in the school meals program. In 2000, the challenge to nutritionists at SMAB was to continue planning meals with caloric content of 300 or more within the same budget of R\$0.13/day per child that had not changed since the early 1990s.

Nourishment Support to Daycare Centres: Provision of enriched flour and other 26 food items to government-subsidized and charity-run community daycare centres.

Under this program, qualifying day-care centres (those serving low-income communities) can be registered with the SMAB to receive assistance. In 1999, 242 daycare centres participated in the program, guaranteeing 100% of the nutritional needs of children under their care. An average of over 34,000 children a day benefited from this program.

SMAB has also provided assistance to organizations working with street children. Altogether ("Preventing and Fighting Malnutrition", "School Meals", "Day Care" and other programs), it is estimated that SMAB's programs aimed at children 0 to 14 years old reach 33% of all children in the metropolitan area.

Popular Restaurant: A government-run restaurant providing nutritious meals at affordable prices.

This modern, well-equipped, cafeteria-style restaurant functions in a government-owned building measuring over 1,100 square metres. It is located in a busy, central area of the city, close to bus and subway terminals. Its location is convenient to a number of low-income workers which commute from the periphery areas of the city to work. By 1999 the restaurant was operating close to capacity, serving an average of 3,433 meals a day, corresponding to 40 tons of food per month. Its success suggests the need for a second popular restaurant in the downtown area of Belo Horizonte.

The restaurant is open from 11 a.m. to 2 p.m. for lunch, and 5 p.m. to 8 p.m. for dinner five days a week (Mondays through Fridays). Its meals are planned by SMAB's nutritionists and prepared by trained staff. At lunch it offers a meal of rice, beans, vegetables, salads, meat, juice and fruit at R\$1.00. At dinnertime it offers soup (beans, vegetable, manioc, chicken, or meat) at R\$0.50. The subsidies required to maintain this operation have been increasing steadily from a low of R\$0.13 per meal in 1995 to R\$0.53 per meal in 1999. SMAB, nevertheless, is committed to maintaining its R\$1.00/meal price despite the budgetary challenge it presents.

Although the restaurant is open to anybody, a survey conducted in 1995 confirmed that 60% of its customers received monthly incomes corresponding to three minimum-wage salaries or lower. Thirteen percent of the customers reported salaries above five minimum-wage pay. The restaurant, however, has a clientele that includes individual retirees and whole families, bank clerks and street vendors, university students and street kids. They all receive the same treatment, pay the same price, and eat the same nutritious meal. They can also join the Association of the Popular Restaurant's Customers which provides suggestions on improvements for the menu and the restaurant's services through regular meetings with the restaurant's manager.

Under the *Department for Administration of Food Distribution:*

Abastecer (To Supply) and The Worker's Convoy: These are private-run, commercial outlets, licensed for operation and supervised by SMAB.

The objective of these programs is to increase the access of all consumers in the city to basic items such as fresh vegetables and fruit, cereal, coffee, meats and fish. Increased accessibility is achieved in two ways: by offering basic food items at prices lower than in other commercial stores; and by locating the outlets under the programs in low-income, periphery neighborhoods.

Under the *Abastecer* program, private operators were chosen (through a public, transparent, selection process) to run 15 fixed outlets located in poor regions of the city. Under the Worker's Convoy, outlets are mobile. In exchange for being allowed to operate in more profitable, central locations, sellers are required to serve periphery neighborhoods on weekends.

The programs were designed as innovative partnerships between the government (through SMAB) and private agents. Prices of 21 items are set by SMAB in periodic consultation with the operators, allowing for a negotiated profit margin which is typically lower than profit margins achieved in regular, commercial outlets. Prices of other, non-basic items sold in these outlets are not regulated.

Besides prices, SMAB also monitors the quality of the products sold under the programs, and provides technical assistance and general information on how to display the products, safe storage and handling.

In 1999 the *Abastecer* program served an estimated 70.5 thousand families, while close to 33.5 thousand families used the Worker's Convoy. Prices under these programs are, on average, 23% lower than those in other commercial stores. For many basic food items, prices are often 50% lower than in unregulated outlets, contributing significantly in reducing food expenditures for low-income families.

Popular Food Basket: In this program, a monthly basket of 22 basic consumption items (food, toiletry and household cleaners) are sold directly to low-income families at subsidized prices through a bus visiting low-income neighbourhoods on a weekly or bi-weekly basis. Families participating in this program must earn up to two minimum-wages salary, live in poor neighbourhoods, and must be registered into the program through community associations or charity organizations. After the initial expenditures required to set up the program in 1995 (about R\$18,500), it is estimated that municipal subsidies are needed to cover only 2% of the overall cost in running it. In 1999, 4,200 families were registered in the program.

Through the Municipal Social Work Department, SMAB also distributes the popular food baskets to needy families for a maximum period of three months. In 1998, 13,560 baskets were distributed free of charge.

SMAB's Basic Monthly Ration: Twice a week, SMAB publishes the prices of 45 basic household consumption items (36 food items, 5 personal hygiene products, and 4 household cleaners) found in 40 commercial establishments (supermarkets) in the city. The lists (compiled by researchers at the Federal University of Minas Gerais) are distributed to newspapers and posted in bus-stops throughout the metropolitan area. The information can also be accessed by phone or via internet. The intent of this project is to inform consumers and guide them on where to find basic products at lowest prices, thus increasing competition among commercial establishments.

Under the Department for Incentives to Basic Food Production:

Straight from the Country and the Harvest Campaign: These programs aim at facilitating direct interaction between small rural producers and urban consumers. By eliminating the private and often oligopolistic intermediaries that normally operate in bringing the products of small rural producers to urban markets, SMAB hopes to increase the income of small farmers and still offer high quality products to consumers at lower prices.

Rural producers selected through a public process are assigned fixed sale points throughout the city (many times, in conjunction with the Worker's Convoy). As it happens in all other sale outlets under SMAB's programs, sellers in Straight from the Country and Harvest Campaign programs have their prices and the quality of their products closely regulated.

In 1999, 36 rural producers from 10 different municipalities around BH participated in these programs. They offered a variety of fresh leaf vegetables, roots, and fruits at lower prices than in other outlets.

The City Supplies Centre (CAM): This is a "Fixed Fair", covering an area of 10,000 square meters, where farm producers trade 40,000 tons of horticultural commodities per year, through both retail and wholesale transactions. Recently, SMAB has also initiated the **Green Basket** program under which it serves as an intermediary between hospitals, restaurants and other institutional customers willing to buy vegetables and fruit directly from small rural producers.

School and Community Vegetable Gardens: SMAB promotes the creation of school and community gardens throughout the city, providing seeds and seedlings, as well as technical/educational support. In 1999 the project supported 40 school gardens and 37 community gardens. The gardens supplement school and community meals, and serve as "live labs" for science and environmental studies.

Pro-Orchard: Promotes and supports the planting of fruit trees in low-income neighbourhoods in partnership with community centres. In 1996 this project distributed 18,197 seedlings of nine different tree species.

Agroecological Experience Centres: In partnership with the Municipal Secretariat for the Environment and the Network for Exchange in Alternative Technologies (an NGO), four centres were created primarily to supply seedlings and seeds for other SMAB projects. They are, however, developing into "agroecological" education centres, disseminating "agricultural techniques that preserve the environment and that use available resources rationally" (SMAB, n.d., p.6).

III. FACTORS IN SMAB'S APPARENT SUCCESS

Not all SMAB's initiatives have been equally successful. The City Supplies Centre (CAM), for example, remains under-utilized as food traders refuse to move from the old and crowded (but central) "*Mercado Central*" to the more modern and spacious (but less central) CAM. Another "failure" might be the COMASA, designed to advise SMAB on its projects and program directions. Politics and personality conflicts intervened in preventing it to function as an effective advisory body.

Overall, however, SMAB's programs have been quite successful, reaching close to 35% of Belo Horizonte's population (Pessoa e Machado, 1999), mostly low-income families and individuals. And although further scrutiny and more thorough evaluations of its projects are warranted, a few salient factors may be suggested to explain SMAB's apparent success.

Food security as a human right. One of the most important factors in shaping SMAB's policies has been adopting the principle of food security as a human right. The relevant quotation here, appearing in many of its documents is: **that all citizens have the right to adequate quantity and quality of food throughout their lives, and that it is the duty of governments to guarantee this right.**

The consequences of this for policy are quite profound. First, it stresses the responsibility of governments in upholding this right for all citizens. Government resources must be allocated to guarantee this right. Second, as far as access to adequate food is concerned, people are first and foremost citizens rather than consumers. This fundamentally undermines the role of markets in food security. As stated in one of SMAB's documents, "we must guarantee healthy, sufficient, and constant nourishment to those who are consumers and to those who, lacking buying power, cannot even be included in this category" (SMAB, n.d., p. 1).

Food insecurity as “market failure”. SMAB has justified mainstreaming food security into public policy by having the identification of food insecurity as “market failure” – a traditional argument used for the necessity of public policies in the areas of health, education, public safety and national defense. Market failure happens when free markets are socially inefficient (Mankiw, 1998). It is the failure of free markets to bring about results that best satisfy the wants of society (McConnell *et al.*, 1999). In the case of market failure, the “market clearing forces do not maximize social net benefits” (Kahn, 1998, p. 14).

One important reason for market failure deals with the provision of “public goods”. Free markets fail to provide an efficient quantity of public goods because these goods tend to create very high beneficial “externalities” that cannot be captured by private markets. Once a public good is made available, it can be simultaneously enjoyed by many people, even those that have not paid for it. Markets do not do a good job in producing public goods because producers cannot prevent non-payers from enjoying it. There is, in general, no profit motivation to lead private firms to supply a socially efficient quantity of such goods. Public goods generate tremendous benefits to society, but free markets, governed by private, individual self-interest, will not provide them. Hence, the existence of a public good “presumes a legitimization of governmental activity” (Ver Eecke, 1999, p. 140).

Food itself is not a public good. It is a private good and, as such, private producers do have an incentive to produce it as they can prevent non-payers from accessing it. Food security, however, is a public good. Individuals living in a society where all people are basically well-nourished and healthy benefit from that condition, even if some were not contributing (paying) for its provision. In other words, food security can be simultaneously enjoyed by many people (a public good), in contrast to private goods (e.g., food), “which are marked by rivalries in consumption ... (and for which) property right enforcements prevent consumption if one does not pay” (Ver Eecke, 1999, p. 141).

Another consequence of the view of food security as a public good is that free markets may still not provide a socially efficient quantity of it even if enough income were distributed to low-income groups. Food security incorporates the notion of accessibility to food (which could be increased by providing enough income to all), but it goes beyond that to include food safety, quality, and diversity according to social/cultural norms. That is to say, as far as food security is concerned, market failure may not be overcome simply by turning people into consumers.

Much of SMAB’s strategy in dealing with market failure seems to use the market mechanism itself as much as possible. It is attempting to correct market failure by improving market functioning. Without losing sight of the objective (food security), rather than substituting it, many of SMAB’s projects tend to make use of the market.

This is most clear in the projects under the Department for Administration of Food Distribution. Recognizing that much market failure is the result of “imperfect competition” and “imperfect information”, part of the intended objective of the projects is to increase competition (decreasing prices) and inform consumers. Reducing oligopolistic features in food production and distribution is also an open objective of initiatives under the Department for Incentives to Basic Food Production (Pessoa and Machado, 1999).

In the case of projects under the Department for Promotion of Food Consumption and Nutrition, the utilization of market mechanisms is much more limited. Here, efficient targeting (reaching the population most at risk) is essential for cost-effectiveness (Pinstrup-Andersen, 1988). SMAB targets low-income households by working through public health clinics, public schools, charity-run daycare centres, and through registration (by family income) in some of its projects.

Political feasibility. Realistically, right to food security, as many other human rights, are not always upheld. In the case of some poor countries, lack of appropriate resources may limit the capability of governments to guarantee basic rights. But lack of resources is not the limiting factor in Brazil (as it is not in many cases throughout the world). As the third largest agricultural exporter in the world, general availability of food, for example, is not a threat to the country's food security.

Guaranteeing food security as a human right becomes then a question of political feasibility (Pinstrup-Andersen, et al., 1995). At the national level, three factors came together in the first years of the 1990s to create a favourable environment for food security policies in Brazil:

1) *Decentralization and The Workers' Party (PT) Platform:* The PT, as a national party, had pushed food security to the foreground, as a priority policy (Bittar, 1992; Coelho, 1996). It is, thus, not surprising that the municipal government which created the SMAB was that of the Workers' Party. Resource decentralization established under the new constitution of 1988 has permitted municipal PT governments to promote many locally defined, socially progressive programs.

Decentralization has also benefited some social programs previously administered at the federal level. This is specially evident in the school meals program, financed by the federal government but administered locally by the SMAB. Such decentralization allowed for significant savings (in transportation costs, for example), as well as for having this project supporting local suppliers.

2) *The Citizens' Action Campaign Against Hunger and for Life:* In 1993 this campaign was created to mobilize people to assume their citizenship and fight malnutrition and poverty in the country. It was a huge success. At its peak in 1995 one of its creators and most visible campaigner, Herbet de Souza (Betinho), was voted the most admired Brazilian in a national survey (ahead of Pelé, the soccer player). After many years under authoritarian regimes, and much evidence of corruption among the political elite, people seemed eager to push for policies with high ethical values. The citizenship campaign provided that opportunity, mobilizing people from all classes towards a common cause (Souza, 1996; Sposati, 1996). The support of Brazil's powerful middle classes for food security issues gave an extra incentive for political action in that direction.

3) *The Federal Government's Response:* The federal government had to respond both to the popular mobilization under the Citizens' Campaign and the political pressures coming from the Workers' Party (and other parties on the centre-left). In 1993 the federal government launched the Plan Against Hunger and created the National Council for Food Security (CONSEA), following some of the PT's proposals. Three principles in the federal government's program were solidarity, partnership, and decentralization (Coelho, 1996). These same principles were incorporated in the municipal government's proposal for food security in Belo Horizonte.

At the local level, political feasibility was facilitated by the very creation of SMAB, centralizing all decisions concerning food security. In the past, many aspects of municipal food security were spread over different agencies (health, education, environment, etc.) that did not have food security as a priority. As a consequence, many projects addressing food security lacked the political commitment needed for successful implementation.

Partnerships and Participation. Another major factor shaping the success of SMAB is its commitment to develop and implement projects through partnerships and the participation of civil society groups. It is interesting to note that the initiative for partnership development came from the government itself. It sought out the participation of NGOs and civil society groups in the implementation of its projects.

Among SMAB's main partners are other government departments (specially Public Health, Education, and Environment), the private sector (small farmers, food manufacturers and store operators), NGOs (the Citizens' Action Campaign, the Network for Exchange in Alternative Technologies, and others), philanthropic groups (running day-care centres, community centres and nursing homes), community associations, and the University of Minas Gerais (which collects the data for SMAB's Basic Monthly Ration).

Such widespread and strong partnership network may be pointed out as the key factor in guaranteeing the continuity of the SMAB's program. It has survived two government transitions and it is now thriving under a new municipal administration (and a different political party). Its projects are not seen as "pet projects" of a given political party or local personalities. Although their administration is under SMAB's responsibility, they are "owned" by many different local groups and institutions. It is this widespread "ownership" that may guarantee their sustainability in the long run.

Education. Education may be the other main factor guaranteeing the continuity of the program. It is indeed a theme running through all SMAB's projects. It incorporates not only education on nutrition and good eating habits, but it extends to education on food safety, handling and presentation, environmental sustainability, and food security as a human right.

Local Commitment and Leadership. Finally, one must not undermine the importance of local political commitment to the idea of food security as a human right, and the importance of competence among the people developing and implementing the projects, specially during their initial stages. With a relatively small, but very dedicated group of people, and under the knowledgeable leadership of its first director, SMAB seems to have been able to achieve in a few years tremendous gains towards food security in Belo Horizonte.

CONCLUSION

The main objective of this paper was to describe, in general terms, the food-security policy being developed since 1993 in Belo Horizonte, Brazil. The paper also highlighted some factors which could explain the apparent success of the SMAB program. In general, the BH case suggests that a successful policy in food security should be carried out in a comprehensive, integrated approach, involving

aspects of consumption, distribution and production of food; use the market, as much as possible, in addressing market failure; make full and effective use of partnerships; and include education as an integral component in all projects.

A distinctive feature of the SMAB program has been its success in mainstreaming food security issues into public policy. This is possible, the paper has argued, by interpreting the right to food security as a "public good", and food insecurity as "market failure". Food security projects are then less "marginalized", less "charity-driven". They are justified in taking back some degree of control of food production and distribution from the dominant market system – a feature which some experts in this field have pointed out as essential in establishing "best practices" (Welsh and MacRae, 1998).

It is, at this point, premature to identify the BH case as a model. Each of its projects, for example, are deserving of a more thorough scrutiny. Furthermore, too many questions are still to be answered. For example, given that much of the factors responsible for the apparent success of the SMAB program were nation-wide (food security as a human right, decentralization), why haven't successful food security policies been implemented in other cities under the Workers' Party? How much of the success is due to local leadership and competence? One may also speculate that, if such policies were being considered in more cases, stronger opposition from established powers (agro-industrial, food manufacturers and retailers) could effectively prevent their implementation. While as an isolated case BH is not a serious threat to the political-economic norm in the country, one wonders how much of a revolution it would unleash if it were to be copied throughout Brazil.

Despite all the questions (which indicate how much more is to be known of this case), BH can be seen as a model in one sense. It has established a standard against which other initiatives in municipal food security policy can be measured. It is also against that standard that we may now evaluate the future conditions of food security in Belo Horizonte itself.

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"DREAMS AND DISPARITIES – GENDER EQUALITY IN BRAZIL"

Sherry Nelligan

Illustrated in this document is a sketch of some 'big picture' data and statistics about gender equality in Brazil. Colour and life are added to the sketch with true stories about people in Brazil. The document also outlines an analysis of some gender equality indicators and describes hopes and challenges for the future. The author's background includes 6.5 years living in Brazil, for the most part in the Northeast. The realities of this particular region have largely shaped the author's perspective regarding the situation in Brazil. Northeastern Brazil is a vast and beautiful area of the country, and also the largest pocket of poverty in the Americas.

Gender Equality

Contrary to general opinion, gender and gender equality do not refer to biological differences between men and women. Sex relates to biological differences, whereas gender refers to roles that men and women play in society, in the family, in the workplace, in the community, and at the state level. Gender also concerns relations between the sexes. Gender relations vary from culture to culture, and even from family to family within the same culture. In addition, a number of factors affect gender relations, such as education and socio-economic status. The main point to highlight for the purpose of this document, is that gender relations are socially constructed as opposed to biologically determined. There are various positions about equality of gender roles between men and women. One viewpoint is that women's and men's roles do not need to be equal in terms of 'sameness'. Rather, equality is measured in terms of levels of participation, access to and ownership of resources, voice and decision-making power in the family, community or group. When applying this perspective, foci of gender equality are status and the valuing of women's participation equally with men's.

Gender Equality in Brazil

In many ways gender equality has advanced considerably in Brazil in recent years. Dr. Ruth Cardoso made a presentation to the 23rd United Nations General Assembly in New York city about gender equality in Brazil. Dr. Cardoso is the First Lady in Brazil and has also been a prominent feminist activist for many years. In her address she gave examples of recent advances in gender equality and also cited some of the continuing difficulties. The following points, adapted from Dr. Cardoso's presentation and other sources, are organized into the categories of education, health, domestic violence, politics and the labour force.

Education: Evidence of advancement towards gender equality is most prominent in the field of education, in which there are indicators that females are actually surpassing males in some areas. For example, increases in girl's levels of schooling in the last decade have altered the overall educational picture to the point that girls now have a higher overall literacy rate than boys in Brazil. Also, there is evidence that females now have increased access and availability to schools, and that percentages have grown for female participation in school, in the completion of primary level schooling and in enrolment in secondary and post-secondary educational institutions. These increases have impacted on sex ratios to the point that, on average, women now have more schooling than men do.

Health: There have been various advances in women's health care in Brazil. The year 2001 saw the enactment of the 'Women's General Health Program'. The objective of this program is to improve health service quality in prenatal care and

to reduce the rates of caesarian sections, cervical and breast cancer. There are also new health facilities to deal with the growing number of adolescent pregnancies, and to combat sexually transmitted diseases and AIDS. However, despite these increased efforts to improve health services for women, the mortality rate of women has actually increased by 5.5%.

Domestic Violence: An area of considerable concern related to gender equality is domestic violence. In Brazil, there are Women's Defense Police Stations which were instituted to combat the problem of violence against women. Women's Defense Police Stations are the same as regular police stations except that they exclusively register crimes against women. The need for such services in Brazil is great. For example, in Salvador, Brazil, there were over 10,000 incidents of domestic violence registered in the single Women's Defense Police Station in the city in 1993. This number was higher than the statistics for any other police station in the city. To put this in context, there are many wars in which fewer people are hurt. Statistics such as this one for the Women's Defense Police Station in Salvador become more ominous still when one considers the extensive body of research about violence against women. Findings regarding police involvement and domestic violence indicate that the majority of women who register complaints have suffered repeated beatings before going to the police. Therefore, the likelihood is high that many more women have suffered abuse than is registered in the statistics.

Politics: In 1984, Brazil ratified the United Nations Convention on the Elimination of Discrimination Against Women (CEDAW). From then on, all states were technically mandated to protect women's right to equality. However, like many of Brazil's constitutional policies, which are exemplary in terms of justice and human rights issues, there is a wide gap between the provisions within the policy and their implementation within society. In 1985, the National Council for Women's Rights (CNDM) was created by congressional law as part of the Ministry of Justice with wide ranging authority to administer changes for women. New public policies were developed and educational programs and campaigns to advance gender equality were enacted. However, by 1990 when new politicians were in power voicing different priorities, the CNDM lost its autonomy and presence in the national political scene. At present the focus of CNDM is limited to the area of women's health. Another example, which demonstrates both advances and continuing obstacles towards gender equality, occurred during the October, 2000 municipal elections in Brazil. Election quotas have been put into place since the last elections. As a result of these quotas there was an increase of 82% of women elected as mayors in Brazil. One of the women who was elected is Marta Suplicy, in the city of São Paulo, which is the largest city in Brazil. However, during the election campaign Ms. Suplicy's main rival, Paulo Maluf, a long-time politician, was asked about his crime policy. During Mr. Maluf's response he said "It is fine to rape, as long as you don't kill". It should be noted that Mr. Maluf was not elected mayor and that his views on gender could not be considered representative of those of other well established politicians in the country. However, the public expression of this kind of viewpoint by such a prominent politician highlights the continuing problems in gender equality in Brazil.

Labour Force: There have been significant advances towards gender equality in the labour force in Brazil. The percentage of women within some professions has actually exceeded men's participation. For example, 59% of lawyers in Brazil are

female, and 54% of doctors are women. Also, for the first time in Brazilian history, a woman, Ellen Gracie Northfleet was appointed to the Supreme Court in November, 2000. Professions such as the judiciary, dentists, university lecturers, architects and journalists all have fairly equal participation between men and women. However, these percentages are significantly more skewed in 'traditionally male' professions such as: engineers, farmers, chemists and airplane pilots. Overall, women represent 51% of the workforce. On the negative side, women's salaries are still on average only 66% of men's salaries. Equality in terms of race is another significant factor in this equation. Euro Brazilians earn up to 75% more than their Afro-Brazilian counterparts. Notwithstanding these continuing challenges, indisputable advances towards gender equality are occurring within the Brazilian labour market.

Gender Equality and Machismo

The unmistakable advances that women have made in education and in career development in the face of evidence of continuing serious problems such as the large numbers of Brazilian women experiencing violence, is perplexing. One could surmise that women's advances are partially due to an increased openness to gender equality by men and a greater number of men participating in domestic chores and childcare. Though this might be occurring to some degree, machismo and masculinity remain very strong social constructs in Brazil, as suggested by the following stories. I mentioned in the introduction that my experience was mostly confined to the Northeast of Brazil. These stories may not reflect the situation prevailing in the country as a whole, but they certainly testify to the persistence of serious problems of gender relations in at least part of the country. An example to highlight Brazilian machismo occurred during a discussion about gender roles with a kind, gentle Presbyterian minister named Pastor Antônio. In talking with Pastor Antônio and his wife Maria at their kitchen table, the Pastor said that in Brazil it would be viewed very negatively if he were to pick up his teacup and put it in his kitchen sink, and that his manhood would be in question. Another example is a young man named Marcelo who is in medical school studying to be a doctor. Marcelo is a tall, handsome young man and, when talking with him he appears quite charming and amiable. However, when he sits down to a meal in his house, he does not cut up his own meat. Instead, he expects the family's teenage maid to cut it up for him.

Faced with these kinds of obstacles, and lack of assistance from male members of the family with domestic tasks, one wonders how it is that women have advanced so far in recent years. A clue to the puzzle is that most households that might be classified as lower middle class in Canada and upwards in terms of socio-economic class, have at least one maid. Normally it is the maids who cook, clean and care for the children, while the man and woman of the house are free to pursue higher education and advance their careers. Therefore, one of the reasons that some women have made marked advances towards gender equality in Brazil, is due to the aid of other women. Unfortunately, the treatment of maids in Brazil often falls far short in terms of justice and human rights when compared with Canadian labour standards and, in fact, with Brazil's own constitution. The following story of an encounter between the author and one maid provides an example.

One day there was a knock at the door. A frantic teenage girl stood outside wringing her hands in despair. The girl's name was Ju, short for Jucineide. Ju explained that she worked as a maid in the same building, 2 floors up. This was surprising as, though we had occupied the building which only had four apartments for several months, Ju was unfamiliar. It was later discovered that Ju was rarely allowed to go out.

The reason for Ju's panic was that she had washed the Nike shoes of one of the boys in the family. She had put the insoles out to dry on the balcony and the wind had blown them off. She wondered if they had fallen on to our balcony. Ju said that, if she was unable to find the insoles, the price of a new pair of shoes would be deducted from her salary.

At the time that this meeting occurred, the monthly minimum salary was slightly over \$100. Therefore, deducting the cost of a new pair of Nike shoes would constitute the confiscation of the majority of Ju's monthly salary by her employers. Unfortunately Ju's situation does not necessarily represent an exception in Brazil. It is more concerning still to note that Ju lived with an educated, church going family. The husband worked as a Sociology Professor at a University and had served as Alderman in the city.

Many of Brazil's advances have been made possible off the backs of young women like Ju. The treatment of some maids in Brazil is little removed from slavery. Maids are not always permitted to attend even night school because it would conflict with their duties. Wages are sometimes so low that the young women are unable to save enough to take the bus home to visit family in the country, even once a year. Also, stories of physical and sexual abuse are far from uncommon, but usually go unreported because the women are often young teenagers who feel powerless to do anything about their situation. Slavery in Brazil was not abolished completely until 1888. Could this fact partially account for the continuing injustices suffered by maids today? In any case, it is interesting to note that slavery was finally abolished in Brazil by a woman, Princess Isabel, during her brief period in power. It is also worth recalling that the abolition of slavery in Brazil was a relatively peaceful and gradual process.

Gender Equality and the future of Brazil

In terms of Brazil's future, there is a clear link between development, poverty reduction and gender equality. Through numerous analyses over time, the World Bank has determined the following,

"Countries that enact specific measures to protect women's rights and increase their access to resources and education have less corruption and achieve faster economic growth than countries that do not."

There is a huge gap between the rich and the poor in Brazil. Brazil now has the second largest gap in income distribution in the world, after Bangladesh. This inequality and discrimination against some sectors of Brazilian society, presents a serious obstacle to the development of the nation as a whole. Narrowing the gap between the rich and the poor is one of the biggest challenges for Brazil in becoming a World Power. Some poverty alleviation policies have recently been put into place in Brazil, such as the minimum income program, which complements the personal income of senior citizens as well as that of families with children up to the age of 14.

There is also a new program that pays parents a small sum in exchange for sending their children to school regularly, in order to promote education and reduce child labour. Programs such as these provide hope that the income distribution gap will be eventually narrowed and that greater social equality will be achieved. Along with the importance of poverty alleviation, research on the implementation of gender equality measures indicates the value of both of the sexes participating in increased equality and benefits for all as opposed to continued struggling against one another. The process towards gender equality is far more peaceful and effective if women and men work together on the issues.

Historically, gender equality work, previously referred to as 'Women in Development', has often excluded men's participation. Often men have shown little interest in the subject, but sometimes men have demonstrated openness to discussing inequities and to sharing in the process towards inevitable change. When we find common ground and work together as a family, community, or nation we are stronger and better. There are many stories that demonstrate both the struggles and advances towards gender equality in Brazil as well as innovative initiatives in responses to challenges such as the Women's Defense Police Stations. Brazilians are known for their interest in learning opportunities and for their openness to testing out new ideas. Canadians have a great deal to learn from the Brazilian people in this and other areas.

The last story, depicting one woman's success in achieving elements of gender equality in her life, is one of poignant beauty. It is a story that portrays the work of Marcia Dangremon and Ceci Prestrello through the Woman Life Collective in Recife, Brazil. Marcia has recently passed away, but Ceci and the other staff of the Collective continue their work towards the prevention of violence against women. One day I visited Marcia and Ceci. We went to the restaurant of an acquaintance of theirs, named Dona Alda. Dona Alda's "restaurant" consisted of several steel tables in front of a simple home, underneath some beautiful palm trees. Marcia had told me about her last visit to the restaurant during which Dona Alda had described her difficult life with an adulterous, abusive husband. A life filled with much work and suffering. Marcia had asked her what she did each morning. Dona Alda replied that she gets up at 5:00 a.m. every morning and goes straight to her sewing machine to do some sewing before she begins cooking for the restaurant. Marcia had asked her what she likes to do most and Dona Alda replied that she loves to dance, but that her husband says: "it is ugly for an old woman to dance." After hearing this, Marcia had taken the other woman's hand and said: "Dona Alda, from now on when you get up in the morning, don't go straight to your sewing machine. Go and sit under your palm trees, and take some time just for you." When I met Dona Alda that day, about two weeks after Marcia's last visit, she was calm and serene. She told us that she had taken Marcia's advice and was feeling so much happier, and less bitter about her life. We enjoyed a very pleasant time that day, talking with Dona Alda underneath her palm trees... The next day we received the news: Dona Alda had died the night before... dancing with her grandchildren.

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PART II

CANADA – BRAZIL RELATIONS

PRÉSENTATION DU CENTRE D'ÉTUDES ET DE RECHERCHES SUR LE BRÉSIL (CERB) DE L'UQAM

Prof. Bernard Andrès, directeur du CERB

Abstract

The Center for Studies and Research on Brazil (CERB) encompasses all of UQAM's academic programs on Brazil. UQAM has cooperated for many years with 22 Brazilian universities, institutes and research centers through pairing between institutions, departments and research centers. This cooperation concerns all of UQAM's faculties and sectors including Arts and Literature, Education, Health, Environment, Urban Studies and Strategic and Diplomatic studies. With an interdisciplinary approach, the Center for Studies and Research on Brazil brings together, promotes and supports all the programs on Brazil.

Depuis plus d'un siècle, le Québec et le Canada entretiennent des liens privilégiés avec le Brésil. Il en est ainsi au plan industriel, avec la corporation BRASCAN¹ (on pense aux premiers réseaux d'hydro-électricité dans de grandes villes du Sud, aux premiers tramways et à la première entreprise téléphonique de São Paulo). C'est aussi le cas au plan religieux avec l'envoi de missionnaires, ou au plan diplomatique², dont nous parlera bientôt M. Réjean Tessier. Le domaine culturel n'est pas en reste si l'on songe, dès les années 1940, aux personnalités québécoises qui séjournèrent alors au Brésil: le médecin et romancier Philippe Panneton (Ringue), le peintre de Tonnancour, l'historien Gustave Lanctôt et le musicien Claude Champagne. De son côté, le compositeur brésilien Villa Lobos est venu diriger à Montréal en 1953. On trouvera l'historique de cette coopération dans le livre de Zila Bernd et de Michel Peterson paru en 1992: *Brésil-Québec: les bases d'une comparaison*.³

D'autres présentations, aujourd'hui même, évalueront l'évolution de ces échanges culturels, économiques et politiques. Je m'en tiendrai pour ma part à la coopération universitaire et aux échanges académiques, à partir de l'expérience que nous avons eu à mon université, expérience qui a conduit à la création récente du Centre d'études et de recherches sur le Brésil (CERB). Comme on le verra, bien que logé à l'Université du Québec à Montréal, ce centre a une vocation interuniversitaire et vise à s'ouvrir sur l'ensemble des programmes académiques touchant au Brésil dans l'ensemble du Canada.

Après un bref survol de nos activités consacrées au Brésil, j'évoquerai le mandat que nous nous sommes donné et les projets qui nous animent à court et à long terme. Ce faisant, j'essaierai de répondre à trois questions:

- Pourquoi un Centre d'études et de recherches sur le Brésil?
- Pourquoi un Centre d'études et de recherches sur le Brésil à l'UQAM?
- Pour qui, ce Centre?

1. Brascan (1899): http://www.brscanbrasil.com.br/grupo_brscan/organograma.htm

2. La première légation canadienne au Brésil date de 1941.

3. Sur les relations entre le Canada et le Brésil, voir André Patry, "Panorama des relations entre le Canada et l'Amérique latine", in Zila Bernd et Michel Peterson éd., *Confluences littéraires. Brésil-Québec: les bases d'une comparaison*, Candiac, Éditions Balzac, Col. "L'Univers des discours", 1992, p. 315-316.

1) Pourquoi un Centre d'études et de recherches sur le Brésil?

La création de notre centre⁴ repose sur un constat. Tout rapprochement avec le Brésil ne pourra donner sa pleine mesure et être véritablement fructueux à long terme sans une meilleure compréhension de nos spécificités économiques, sociales et culturelles respectives. Sans échanges réguliers intenses et approfondis de la part des acteurs de la société civile, se perdent de belles opportunités de collaborations et d'innovations sociales si caractéristiques du métissage croissant de nos deux sociétés. A cet égard, les universités peuvent et doivent jouer un rôle déterminant dans ces rapprochements et cette meilleure compréhension réciproque.

Or, force est de constater qu'un net déséquilibre existe entre le Brésil et le Canada puisque plusieurs Centres d'études canadiens (Nucleos de Estudos canadenses) sont fort actifs dans les universités brésiliennes depuis plusieurs années, contribuant directement à favoriser une connaissance et une compréhension du Canada si importante pour les relations à long terme. L'inverse n'est pas vrai et le Brésil apparaît un pays méconnu même si sa musique s'entend sur toutes les radios! En fait, la connaissance du Brésil au Québec, et plus encore au Canada, reste marquée par une image parfois folklorique ne correspondant en rien au Brésil moderne, celui des grandes villes, celui du développement scientifique, celui d'un pays qui entend devenir tant dans les Amériques que dans le monde un acteur de premier plan (la dernière crise entre le Brésil et le Canada a eu au moins la vertu de nous révéler que ce pays pouvait nous concurrencer dans la haute technologie, mais aussi, tenir sa place dans le concert des nations américaines).

Le constat que nous avons fait, c'est qu'il nous manquait un lieu de rassemblement des expertises canadiennes en matière brésilienne. La présente rencontre témoigne assez de la multiplicité des compétences sur le Brésil au plan national (et je salue ici l'initiative du Brazilian Independent Committee de Glendon Collège). Mais il n'en reste pas moins que nos forces sont encore assez dispersées et qu'un lieu de référence sur le Brésil s'impose désormais. Loin de prétendre jouer seul ce rôle au Canada, notre centre entend seulement contribuer à rassembler les expertises et à diffuser aussi largement que possible ce qui se fait dans l'ensemble du pays sur le Brésil. Mais alors, surgit la deuxième question.

2. Pourquoi un Centre d'études et de recherches sur le Brésil à l'UQAM ?

Je répondrai en dressant un bilan partiel de nos collaborations avec le Brésil depuis une vingtaine d'années. Celles-ci touchent à l'ensemble des secteurs de l'UQAM et témoignent d'une réelle masse critique dans les domaines suivants: études littéraires et théâtrales, langue et culture brésiliennes, sémiotique, arts, environnement, éducation relative à l'environnement, santé et environnement, études urbaines, sciences politiques, études stratégiques et diplomatiques, géographie, etc.

4. Le CERB a été inauguré le 6 septembre 2001. Actuellement, notre centre bénéficie d'une subvention de démarrage provenant du Ministère des relations internationales du Québec et du Bureau de la Coopération internationale de l'UQAM. Il s'agit là d'un budget de fonctionnement permettant l'engagement d'une seule personne à temps partiel. Des stagiaires brésiliens nous aident pour la permanence et le classement du Centre de documentation. D'autres sources de financement sont à l'étude. Ajoutons que le consulat et l'ambassade du Brésil nous appuient activement par l'envoi de documentation et par la diffusion de nos activités.

2-1- Commençons par les activités de nature culturelle

2-1-1- Les activités littéraires

Depuis bientôt vingt ans (1984), le département d'études littéraires de l'UQAM entretient une coopération suivie avec ses homologues des universités fédérales de Niteroi RJ (Université Fédérale Fluminense), et de Porto Alegre (UFRGS: Université Fédérale de Rio Grande do Sul). Pas moins de trente professeurs et étudiants des deux pays ont collaboré à cette coopération. En termes de publication, il faut particulièrement mentionner, au-delà de nombreux articles et textes de création, *Confluences littéraires Brésil-Québec: les bases d'une comparaison*, Zilá Bernd et Michel Peterson éd. (Éditions Balzac, 1992), le numéro spécial de la revue *Liberté "Brasilittéraire"* (1994), où se retrouvent des textes inédits d'auteurs contemporains brésiliens et une publication conjointe en français et en portugais, sous la responsabilité de Nubia Hanciau⁵, Sylvie Dion et Alain Bélanger, *L'Amérique française : introduction à la culture québécoise* (FURG, 1998), *A América francesa : introdução à cultura quebecense* (FURG, 1999). En 1999, Zilá Bernd et moi-même avons fait paraître au Québec *L'identitaire et le littéraire dans les Amériques* (Éditions Nuit Blanche). La même année, je publiai aussi au Brésil *Coerção e subversão : o Quebec e a América latina* (Editora da UFRGS). Ajoutons que le département d'études littéraires est actuellement impliqué dans un projet d'extension de son doctorat en sémiologie à l'Université nationale de l'État de Bahia (UNEB).

Enfin, en 2001, Zilá Bernd, alors présidente de l'Association brésilienne d'études canadiennes (ABECAN) a reçu la distinction honorifique de l'Ordre national du Québec pour son implication dans ces projets de coopération. Zilá Bernd co-organise en décembre prochain un Symposium Canada-Brésil à Montréal; j'y reviendrai.

2.1.2 Les activités linguistiques

L'École de langues de l'UQAM- qui compte plus de 8000 inscriptions par année- offre des cours de portugais depuis l'automne 1998 à 70 étudiants. Nous avons donc là l'outil qui nous manquait pour créer un véritable Centre d'études brésiliennes, compte tenu de l'intérêt croissant des étudiants pour l'apprentissage des langues. Mais il est capital de mentionner que, suite à l'excellence de notre formation en portugais brésilien et à l'engagement de l'École de langues, le gouvernement brésilien a attribué à l'UQAM un Lectorat d'études brésiliennes qui nous permet déjà d'accroître nos activités d'enseignement des langues et nous offre l'occasion de lancer un cours sur la culture brésilienne. Nous ouvrirons aussi en septembre prochain une mineure et un certificat en langue et culture du Brésil, afin d'initier les étudiants aux grands courants culturels du Brésil contemporain. L'appui de l'ambassade et du consulat du Brésil (qui prennent en charge le lectorat de portugais et nous dotent d'un important fonds documentaire) est fortement apprécié. J'en profite pour remercier ici publiquement son Excellence, Monsieur Henrique Valle, tout comme à Montréal, Monsieur le consul Fernando Jacques De Magalhães Pimenta.

5. Nubia Hanciau, ancienne stagiaire brésilienne à l'UQAM, a fondé un Nucleo de Estudos canadenses à Rio Grande au Brésil.

2.1.3 Les autres activités culturelles

Toujours du point de vue culturel, rappelons l'importante exposition de la Fondation Lina Bo Bardi du Brésil présentée par le Centre de design de l'UQAM à l'automne 1998 et inaugurée par le Consul général du Brésil, lors de la fête nationale du Brésil. Le doctorat en pratique des arts accueille aussi des étudiants brésiliens, comme Luciano Vinhos, artiste et enseignant de l'Université fédérale Fluminense (UFF), qui a exposé à la Galerie Skol de Montréal cet hiver.

Enfin, directement rattachée aux dimensions culturelles tout en les dépassant, il faut mentionner la relation extrêmement étroite que nous entretenons avec l'Association Brésilienne d'Études Canadiennes (ABECAN), au sein de laquelle nos partenaires d'études littéraires sont fortement impliqués. L'ABECAN⁶ a aussi été à l'origine de l'invitation au Brésil de plusieurs professeurs d'autres facultés de l'UQAM, notamment en Design et en Linguistique et en Sciences de l'éducation. Notons aussi qu'en sciences de l'éducation l'UQAM a offert sa maîtrise à Salvador de Bahia à une vingtaine d'étudiants durant les années 1980. Une des étudiantes d'alors et désormais rectrice de l'UNEB est à l'origine de l'accroissement des collaborations (projet en cours d'extension du doctorat en sémiologie à Salvador).

2.2 La coopération scientifique

Cette coopération touche essentiellement différents domaines reliés aux sciences de l'environnement. Elle est extrêmement diversifiée et dure depuis plusieurs années. Elle est principalement animée par l'Institut des Sciences de l'Environnement (ISE)⁷, qu'il s'agisse des cours en Amazonie, des activités organisées avec le SENAC⁸ et même des projets de recherche du CRDI⁹, qui regroupe des centres de recherche, membres de l'Institut.

2.2.1 Les sciences de la Terre

Le GEOTOP¹⁰ et le Département des Sciences de la Terre et de l'Atmosphère sont impliqués depuis 1989, à travers les professeurs Nuño Machado, dans des activités de recherche et d'enseignement avec l'Universidade de São Paulo (USP) et l'Université de Campinas (UNICAMP) de l'État de São Paulo, de l'Université de l'État de Rio de Janeiro (UERJ), de l'Universidade Federal de Ouro Preto (UFOP) et de l'Universidade Federal de Minas Gerais (UFMG). Des professeurs-chercheurs et des étudiants diplômés ont fait des séjours au GEOTOP variant de six mois à un an pendant lesquels ils acquièrent une solide formation en géochimie isotopique et en géochronologie. Les résultats obtenus pendant ces séjours constituent la base d'articles conjoints publiés dans des revues internationales. La maîtrise des techniques a permis aux chercheurs brésiliens (des UFOP et UERJ) d'installer des laboratoires spécialisés de préparation d'échantillons pour les analyses isotopiques de précision. Ces chercheurs, soutenus par leurs institutions¹¹, visent l'installation de laboratoires complets pour les analyses isotopiques et comptent sur le support technique des chercheurs de l'UQAM.

6. ABECAN: < <http://www.abecan.com.br/> >

7. ISE: Institut des Sciences de l'Environnement < <http://www.ise.uqam.ca/> >

8. SENAC : Service national d'apprentissage commercial, São Paulo.

9. CRDI : Centre de recherches pour le développement international <<http://www.unites.uqam.ca/ise/chaire.htm>>

10. GEOTOP : Centre de recherche en géochimie isotopique et en géochronologie. <<http://www.geotop.uqam.ca/>>

11. Les chercheurs brésiliens ont été financés par la BID (Banco Interamericano de Desenvolvimento), la CAPES (Fundação Coordenação de Aperfeiçoamento de Pessoal de Nível Superior) et le CNPq (Conselho Nacional de Desenvolvimento Científico e Tecnológico).

Toujours au département des sciences de la Terre, le professeur Michel Jébrak s'est impliqué dans un projet de coopération avec le professeur Alfonso Schrank de l'université Campinas à São Paulo. Il s'est rendu au Brésil en 1999 pour y donner un cours intensif en Géologie économique. Le professeur Michel Gauthier, pour sa part, a été invité à l'Institut des Géosciences de l'Université de Brasília en 1988-1989. Puis, de 1991 à 1995, il a dirigé le doctorat d'une étudiante brésilienne sur les gisements d'or palladifère d'Itabira (Minas Gerais)¹².

2.2.2 Les sciences naturelles et de l'environnement

Sous la responsabilité de Domingos de Oliveira, professeur en environnement de l'UQAM, un projet a été entrepris en 1992 grâce à un financement de l'Agence canadienne de développement international (ACDI) de près de 1 000 000 \$. Le projet UQAM-Amazonie a été développé en partenariat avec l'Université fédérale du Pará (UFPA), porte d'entrée de l'Amazonie brésilienne, dans le domaine des sciences biologiques liées à l'environnement. Dans le cadre du projet, sept étudiants brésiliens ont fait des études à l'UQAM en maîtrise et un étudiant brésilien a récemment obtenu son doctorat. Treize professeurs/chercheurs brésiliens ont réalisé différentes activités à l'UQAM. Certains étaient co-directeurs de recherche pour des étudiants brésiliens à la maîtrise et au doctorat de l'UQAM. Quoique la majorité faisait partie de l'effectif de l'UFPA, un certain nombre provenait du Museu Paraense Emilio Goeldi (MPEG) et de la Faculdade de Ciências Agrárias do Pará. Mentionnons la participation d'un chercheur du MPEG dans la formation des guides québécois du Musée de la Civilisation à Québec pour l'exposition "Secrets d'Amazonie". Neuf de nos professeurs ont enseigné, présenté des conférences et fait des recherches en Amazonie. Certains ont participé à des émissions télévisées et radiophoniques à l'état du Pará sur les sujets étudiés.

De nombreuses publications et productions ont découlé de cette coopération dont aussi une exposition sur les fruits et fleurs d'Amazonie présentée tant à Belém (Centre des Arts) qu'à Montréal (UQAM). Deux vidéos réalisés par "Academia Amazônia" de l'UFPA sur l'importance de la biodiversité des pollinisateurs ont été utilisés par le Canal Educação du Brésil. Ce projet a reçu le Prix d'excellence de l'Association des universités et collèges canadiens (AUCC) pour sa contribution à l'internationalisation de l'UQAM¹³.

Dans ce cadre de la coopération UQAM-UFPA, il faut aussi mentionner la mise en œuvre de deux contrats (pour plus de 1 million de dollars) avec le Centre de recherches pour le développement international (CRDI). Les activités, co-dirigés par les professeurs Donna Mergler, neuropsychologue, et Marc Lucotte, directeur de notre Institut des sciences de l'Environnement, portent sur l'impact du mercure sur la santé humaine et la recherche de solutions viables avec les communautés locales. Les résultats des recherches sont désormais connus mondialement et un film vulgarisant les travaux de cette équipe (sur les rives du Tapajos) a été présenté à l'émission Zone libre de Radio-Canada le 2 février 2001. On notera que plusieurs étudiants brésiliens font leur doctorat à l'UQAM en écotoxicologie. Du côté de l'UQAM, l'initiative dénommée UQAMAZONE permet à des étudiants de suivre un cours sur la diversité biologique des écosystèmes amazoniens tout en facilitant l'apprentissage du portugais brésilien.

12. Mme Gema Olivo Ribeiro, est devenue professeure de géologie économique à l'Université Queens à Kingston (Ontario).

13. Prix d'excellence pour UQAM-Amazonie.

<<http://www.unites.uqam.ca/medias/JOURNAL/9899/JOURNAL/11/11A.htm>>

2.2.3 L'éducation relative à l'environnement

L'UQAM est également partenaire de l'Université Fédérale de Mato Grosso dans le cadre d'un projet d'appui institutionnel financé par l'ACDI (750 000 \$), projet qui porte sur la formation de formateurs en éducation relative à l'environnement. Ce projet (1996-2000) était dirigé par la professeure Lucie Sauvé, chercheure associée au Centre interdisciplinaire de recherches sur l'apprentissage et le développement en éducation (CIRADE) et membre de l'Institut des sciences de l'environnement de l'UQAM. Ce projet a lui aussi reçu la reconnaissance de l'AUCC, en 2000, comme le meilleur projet canadien ayant favorisé l'internationalisation du Campus par l'action communautaire.

2.2.4 La santé et l'environnement

L'UQAM apporte aussi sa contribution à un organisme brésilien de la très importante région industrielle de São Paulo, le Service national d'apprentissage commercial (SENAC), pour que ce dernier crée un centre en santé environnementale: il s'agit d'une maîtrise en sciences de l'environnement ainsi qu'un diplôme en santé sécurité au travail. Dans le même domaine, la professeure Céline Chatigny coordonne un projet de diplôme en ergonomie, avec le centre CINBIOSE¹⁴ de l'UQAM (Centre d'étude des interactions biologiques entre la santé et l'environnement). Une des caractéristiques intéressantes des projets pilotés par l'UQAM au Brésil est leur interdisciplinarité et leur dimension sociale, comme on l'a vu dans les travaux sur l'impact du mercure sur la santé humaine et la recherche de solutions viables avec les communautés locales. Cette recherche de solutions réalistes à des problèmes concrets et ce souci d'éducation populaire, on les retrouve également dans les projets de collaboration entre l'Institut des Sciences de l'environnement et l'Université fédérale de Santa Catarina (UFSC). Le professeur Normand Brunet recevait en janvier 2002 à l'UQAM Dr Paulo Freire Vieira, président de l'APED (Association brésilienne d'enseignement et de recherche en écologie et développement). Paulo Freire Vieira est un disciple de Pierre Dansereau qui travaille actuellement à un "Projet pilote d'écodéveloppement pour les écosystèmes littoraux du sud de l'État de Santa Catarina".

2.2.5 La géographie

Un protocole de collaboration a été signé entre l'Institut des Sciences Géographiques de l'Université Fédérale du Minas Gerais (UFMG) à Belo Horizonte et le Département de Géographie de l'UQAM. L'échange de professeurs et d'étudiants des cycles supérieurs et des partenariats en recherche ont été amorcés dans ce domaine, notamment avec le concours de notre Laboratoire de Cartographie. Il faut aussi signaler le cours sur les systèmes d'information géographique donné en novembre 2000, à São Paulo par le professeur Benoît St-Onge, dans le cadre d'une entente liant l'Institut des Sciences de l'Environnement de l'UQAM, et le SENAC (institut de formation pan-brésilien). Des projets sont en cours avec cet état sur la gestion des bassins versants et sur des questions touchant à l'éducation de la citoyenneté et de la conscience territoriale.

Des discussions de collaboration sont aussi amorcées avec l'Université de l'État de São Paulo (UNESP), l'une des grandes universités brésiliennes, sur le thème de la

14. CINBIOSE : Centre d'étude des interactions biologiques entre la santé et l'environnement
<<http://www.unites.uqam.ca/cinbiose/>>

gestion des bassins versants. Le professeur Serge Occhietti est responsable de ce dossier pour lequel un protocole d'entente de coopération est en cours de préparation. La professeure Suzanne Laurin, quant à elle, oeuvre dans le domaine de la didactique de sa discipline, sur des questions touchant à l'éducation de la citoyenneté et de la conscience territoriale¹⁵. Du côté de la géographie humaine, le professeur-associé Jean Morisset a eu de nombreuses relations avec différentes institutions brésiliennes et une longue expérience d'enseignement au Brésil.

2.2.6 La contribution du professeur émérite Pierre Dansereau

Nous ne pourrions terminer l'évocation des collaborations en sciences environnementales sans mentionner le prestigieux nom de Pierre Dansereau qui a été honoré en septembre 1998 au Brésil par les dirigeants de la Fondation de l'Environnement de l'État de Minas Gerais et de l'Association brésilienne de l'enseignement et de la recherche en écologie et développement. Dans le cadre d'un colloque intitulé "Éthique écologique et éducation pour la viabilité : le message de Pierre Dansereau", le professeur émérite de l'UQAM a vu ses anciens étudiants (canadiens et brésiliens) témoigner de son apport considérable au développement de l'écologie et de la science en général durant sa remarquable carrière.

2.3 Les autres activités

D'autres activités d'études et de coopération avec le Brésil en sciences humaines, économie et études stratégiques existent aussi à l'UQAM. C'est le cas du professeur André Corten, en Science politique, qui travaille depuis plus de dix ans sur divers aspects de la réalité brésilienne (syndicats, mouvements religieux, etc.)¹⁶. Nous avons en outre une coopération avec le professeur Yves Chaloux de l'Université de Brasilia sur les questions relatives à l'intégration économique, de même que sur les échanges d'étudiants de niveau doctorat en sociologie et en science politique. Les professeurs Dorval Brunelle (sociologie) et Christian Deblock (science politique) sont impliqués dans cette coopération avec l'Université de Brasilia. Le professeur Victor Armony, pour sa part, travaille en sociologie politique sur les questions de "démocratie et marché en Amérique latine" : il considère le Brésil comme un acteur clé dans le continent. Responsable du dossier de collaboration avec Brasilia, Victor Armony assure cet axe d'investigation au sein de notre nouvelle Chaire de recherche du Canada en Mondialisation, Démocratie et Citoyenneté (titulaire : Jules Duchastel).

On aura compris de ce tour d'horizon que l'UQAM a développé des collaborations avec le Brésil dans des secteurs fort diversifiés, avec des partenaires variés et dans des régions différentes ayant ainsi une vision globale d'un Brésil aux multiples facettes. Tout ceci pour répondre, je l'espère, à la question: "Pourquoi un Centre d'études et de recherches sur le Brésil à l'UQAM ?" C'est là, me semble-t-il, un bilan éloquent de réalisations et de projets en cours. Ceux-ci, loin de s'épuiser, se dynamisent en de nouveaux partenariats que notre centre entend stimuler avec d'autres universités canadiennes intéressées.

15. Accréditée au programme de doctorat en éducation, Suzanne Laurin codirige un étudiant de l'Universidade estadual de Santa Cruz (Bahia) en didactique de la géographie. Elle poursuit également des échanges avec les professeurs Ferreira et Stamatto de l'Universidade Rio Grande do Norte sur l'éducation à la citoyenneté et l'enseignement de l'histoire et de la géographie.

16. On pourra notamment lire : "Émotion du pauvre au Brésil". *Le Monde diplomatique* (mars 1996), p. 26, ou encore Corten A. *Le pentecôtisme au Brésil. Émotion du pauvre et romantisme théologique*. Paris: Karthala. 1995; Corten, A. "Brésil : une lutte entre les candidats de Dieu et du diable". *Revue nouvelle*, no 1, t. 99 (octobre 1994), p. 89-96.

3) Pour qui, ce centre ?

Un centre pour tous. Le CERB est bien entendu conçu comme un lieu interdisciplinaire où convergent aussi bien des expertises culturelles que scientifiques, sociales, économiques et politiques. Loin d'avoir une approche limitative, le Centre se veut ouvert sur tous les milieux intéressés par les divers enjeux qui interpellent le Brésil d'aujourd'hui. On peut donc d'emblée décrire le mandat du Centre comme un lieu de connaissance et de maillage.

Dans cet esprit, le mandat du Centre est de :

- 1) Promouvoir le rassemblement de professeurs, chercheurs et de toute autre personne intéressée par les développements culturels, artistiques, sociaux, scientifiques, économiques et technologiques brésiliens et, dans ces perspectives, favoriser les relations avec le Canada et le Québec en particulier.
- 2) Stimuler les programmes d'études, de recherche et de diffusion d'information sur le Brésil.
- 3) Être le centre de références sur le Brésil, tant auprès des communautés universitaires québécoise et canadienne qu'auprès des principaux partenaires universitaires de la société civile (gouvernements, secteur privé...).
- 4) Un dernier objectif (last, but not least) me tient à cœur, que j'aimerais annoncer solennellement à l'occasion de ce colloque de Glendon : il s'agit de la fondation d'une Association canadienne des études brésiliennes (sur le modèle de l'ABECAN : Association brésilienne d'études canadiennes). Ce projet vise à rassembler l'ensemble des chercheurs et personnes intéressées par le Brésil au Québec et au Canada. Je sollicite donc votre avis et votre appui pour le réaliser dans les mois qui suivent.

Deux occasions nous seront données l'automne prochain pour en discuter.

D'abord, un colloque à l'UQAM, fin octobre, dans le cadre du Congrès de l'Association canadienne des études latino-américaines et des Caraïbes (ACELAC, ou Canadian Association for Latin American and Caribbean Studies : CALACS). Un volet de ce congrès portera sur le Brésil. Vous recevrez bientôt l'appel de communications. Tous les aspects de la réalité brésilienne y pourront être étudiés dans les quatre langues (anglais, français, espagnol et portugais) :

1. Démocratie et citoyenneté
 2. Mouvements sociaux et société civile
 3. Environnement et écologie humaine
 4. Communautés autochtones
 5. Immigration et minorités
 6. Littérature, langue et art
 7. Études culturelles et médias
 8. Genre et sexualité
 9. Histoire
 10. Politique et relations internationales
 11. Économie et commerce
- etc.

Davantage centrée sur des questions interculturelles, une autre rencontre se prépare également à l'UQAM, début décembre 2002, toujours avec la collaboration de notre Centre d'études brésiliennes. Sous la co-direction de mon collègue Simon Harel et de la professeure brésilienne Zila Bernd, nous aurons un Symposium Canada-Brésil :

"Penser les transferts culturels : pratiques et discours du pluralisme". Vous recevrez également les renseignements requis. Je précise qu'une partie de ce que j'annonce ici se trouve dans notre Bulletin du CERB. Le reste sera bientôt disponible sur notre site web : <http://www.unites.uqam.ca/bresil/>

Pour conclure en deux mots et répondre à la question "Pour qui, ce centre ?", il est essentiel de retenir que le Centre est un lieu de partenariat. Nous voulons, au Québec comme au Canada, faire en sorte que les intérêts et expertises des autres institutions universitaires soient mobilisés pour faire découvrir et pour étudier toutes les caractéristiques de la société brésilienne. Le Centre sera donc au cœur des initiatives en relation avec le Brésil, même si ce n'est pas toujours lui qui en sera l'acteur principal. Il est tout aussi essentiel de noter que les liens de partenariat avec le Brésil concernent autant les régions plus développées du Sud que celles du Nordeste ou de l'Amazonie où les dimensions économiques et culturelles sont tout autres.

Retenons aussi qu'à Montréal, notre Centre de documentation¹⁷ est ouvert à l'ensemble de la communauté brésilienne de passage, comme à l'ensemble des chercheurs canadiens intéressée par le Brésil. Un centre pour tous les chercheurs et les partenaires intéressés au Brésil. Outil indispensable à la recherche et à l'enseignement sur le Brésil, le site web auquel nous travaillons actuellement rassemblera l'ensemble des programmes en cours et des liens de recherche. Il s'enrichira de vos propres travaux et de vos propres projets si vous voulez bien nous en faire part. C'est une invitation, tout comme je vous convie également à nous rencontrer lors de votre prochain voyage à Montréal. Un excellent *cafezinho* vous y attend à notre centre.

17. Centre de documentation du CERB : Pavillon Judith-Jasmin, J.1916, UQAM (Métro Berri-UQAM), 405, rue Sainte-Catherine Est, H2L 2C4. Téléphone : 514 987 3000, poste 8207; fax: 514 987 8218; courriel : brasil@uqam.ca; Web : www.unites.uqam.ca/bresil/.

ESTEY CENTRE FOR LAW AND ECONOMICS IN INTERNATIONAL TRADE

CANADA-BRAZIL TRADE RELATIONS: AN EXPEDITED ARBITRAL MECHANISM MAY BE REQUIRED TO RESOLVE THE *WTO Aircraft from Brazil/Canada dispute*

Professor Joseph D'Cruz and Dr. Charles M. Gastle

February 2002

This study is dedicated to the memory of the late Mr. Justice Willard Z. Estey who, in March 2001, recommended that it be written, due in part to the disparate regional impact that this dispute may have across Canada, should it not be settled.

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- I. Introduction
- II. Understanding Brazil
- III. The history of the Aircraft from Canada-Brazil Dispute
- IV. The alternatives to Settle or to Continue the Dispute
- V. Conclusion: Forebearance with an Expedited Arbitral Mechanism: the Superior Strategy

*"Se quiserem guerra, guerra é guerra," Fernando Henrique Cardoso*¹⁸

I. Introduction

Canada and Brazil are struggling with the issue of how to resolve the intractable series of *Aircraft from Brazil/Canada* disputes that have bedevilled Brazil-Canada trade relationship and can undermine the *Free Trade Agreement of the Americas* initiative ("FTAA") intended to be completed by 2005. Brazil, augmented by the Mercosur Customs Union¹⁹, is at best a reluctant participant in the FTAA negotiations, and one that is courting the European Union in free trade negotiations as a counterweight to the fear of North American dominance in the region²⁰. The recent financial crisis within Argentina appears to be strengthening Mercosur, with Argentina turning to Brazil as one of its major export market²¹. Canada should be concerned that the continuance of the *Aircraft from Brazil/Canada* dispute will represent an important trade irritant for an invigorated Mercosur. Canada is placing its exports to the region at risk, either by institutional retaliation through the imposition of punitive tariffs or by popular revolt, as occurred in January-February 2001 during the "beef war". This dispute is also tending to undermine an important opportunity to promote hemispheric integration.

Canada and Brazil have announced that they will meet in New York City on February 8, 2002 to attempt to settle the dispute. WTO dispute settlement panels have ordered that Canada and Brazil remove prohibited export subsidies that have been extended in various sales contracts²². This is not practicable as the contracts have been signed and any attempt to claw back the subsidies will likely place both countries in breach of contract. Not surprisingly, Canada has hinted that it might "allow" Brazil to leave the existing subsidies in place, probably in return for a similar indulgence. This will not settle the on-going dispute as both parties are reported to be more than willing to continue offering strong government support²³. If history is any guide, a solution may prove elusive if the parties attempt to negotiate bright line rules that will prevent what each party considers to be "cheating" by the other. Sadly, the development of new legal rules tends to increase the number of legal proceedings and not reduce them. We believe that the creation of an expedited arbitral process that can evaluate subsidy offerings while contract competitions are still open should be considered as a term in settling this and similar disputes.

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18. "If they (Canada) want war, war is war." *Fernando Henrique Cardoso*, President of Brazil. *Guerra é Guerra*, avisa FHC, Economia, Comercio exterior, O Estado de s. Paulo, February, 2001

19. Founded in 1991, including Brazil, Argentina, Uruguay and Paraguay.

20. *Ibid.*, at 95

21. *Argentina's Crisis, Harsh Realities*, The Economist Jan 26th-Feb 1st, 2002, at 34. Not all commentators agree that Mercosur will be strengthened. Inside U.S. Trade reports in an article, *Argentine Crisis Clouds Long-term FTAA Forecast, Won't Delay Start*, (January 18th, 2002 www.insidetradetrade.com):

But one private-sector source said that the limited success of Mercosur so far cannot be blamed on asymmetrical currencies alone, and was also due to the large number of exclusions and underlying problems with that agreement itself. This source said the more important export markets for Argentina remain the U.S. and European Union and Argentina must continue to focus on agreements that will lead to increased access to those markets.

22. The WTO panel determination in *Canada-Export Credits and Loan Guarantees for Regional Aircraft*, WT/DS222/R, released on January 28th, 2002, that Canada must remove the subsidies extended to Air Wisconsin, is still subject to an appeal by either Canada or Brazil.

23. *Ottawa puts brave face on WTO Ruling*, The Globe and Mail, Jan 29th, 2002, B6, *Brazil-Export Financing Programme for Aircraft, Recourse to Arbitration by Brazil under Article 22.6 of the DSU and Article 4.11 of the SCM Agreement*, WT/DS46/ARB 28, August 28th, 2000, para 5.189 ("Article 22.6 Panel Report").

Bombardier and Embraer compete in the regional aircraft market which includes commercial aircraft of fewer than 100 seats. Both are considered key national champions in a critical high technological sector. Three-quarters of Bombardier's profits are reported to come from the aerospace division²⁴. The importance of Bombardier is underscored by a variety of studies that have highlighted the underdeveloped nature of Canada's high technology sector²⁵. Embraer was Brazil's largest exporter in 1999 (representing 3.5% of total exports)²⁶, and its importance is underscored by WTO concerns regarding Brazil's ability to finance its current account deficit²⁷. The importance of Embraer is reflected in the difficult transition that Brazil is making from an industrial policy based on the traditional Latin American model of import-substitution, to a more open economy putting its relatively inefficient industrial structure under greater import pressure. Both Canada and Brazil view their national champions as important contributors to the development of high technology clusters and important sources of national competitive advantage.²⁸

On August 28, 2000, WTO *Dispute Settlement Mechanism*²⁹ ("WTO DSM") panel confirmed Canada's entitlement to impose retaliation on Brazil in the amount of \$344.2 million per year. Canada refrained from doing so, in an apparent recognition that the imposition of punitive tariffs of one hundred percent on imports from Brazil would have little if any impact on Brazil's motivation to modify the PROEX program. Canada imports from Brazil goods amounting to approximately \$1.5 billion per year, the majority being primary materials or low-technology goods. The elasticity of the goods involved indicates that the imposition of retaliatory tariffs would depress, if not eliminate, bilateral trade in the goods subject to the tariffs.

Canada's decision not to retaliate may have been also based on the popular revolt that took place in January-February, 2001, when Canada imposed a ban on Brazilian beef. Brazilian newspapers at the time reported that purchasing agents were cancelling orders of Canadian products and replacing them with alternative sources. For example:

"The first reaction will be in the agricultural sector because everything that Canada exports to Brazil can be substituted by other suppliers. The structure of bilateral commerce is clear: retaliation will be more negative for Canada than for us. There is no doubt that Brazilian enterprises will import from other suppliers. This Canadian action is infantile and the cost will be paid by the Canadian consumer and by Canadian enterprises that will lose business in Brazil." *Pratini de Moraes, Agricultural Minister of Brazil*.³⁰

24. "Accentuate the positive", The Toronto Star, February 3rd, 2002, C1 at C3

25. One of the more recent is Roger L Martin and Michael E. Porter, *Canadian Competitiveness: A Decade after the Crossroads*, C.D. Howe Institute, Working Paper 2001-1

26. *Trade Policy Review, Brazil 2000*, World Trade Organization, Geneva, Dec. 2000, at 93, para 67.

27. *Ibid.*, at 15, para 37

28. The Canadian aircraft sector is described by the Federal Government as a "vitaly important incubator of advanced technologies, bringing together a critical mass of Canadian firms that are helping to build a future economy based on high-technology, valued-added products." The sector is cited as spending more than \$700 million in 1999 on research and development and investment in plants and equipment reaching \$850 million in the same year. Canada Ready to Match Brazilian Financing Terms to Preserve Aircraft Jobs, January 10th, 2001, Department of Industry Press Release.

29. *Article 22.6 Panel Report*, *op cit. supra*, Note 6

30. "Brasil vai reagir a retaliações do Canadá", *Gazeta Mercantil - Terça-Feria Jan 23rd, 2001*.

If the dispute had continued, the reaction to Canadian goods might not have been limited solely to Canadian exports to Brazil, as Canadian investments in Brazil were also targeted:

"We will likely encourage the population not to buy lines or utilize the services of Vesper, a Canadian enterprise in the Brazilian telephone sector." *Edwaldo Sarmento, Director and President of the Syndicate of Industries, Telecommunication Systems of the State of São Paulo* ³¹

The intensity of the popular reaction in Brazil caught many Canadians by surprise. The result was that certain Canadian products were side-swiped by the Canadian ban on Brazilian beef, including potash exports. The boycott of Canadian potash indicates a particular vulnerability to Brazilian trade action, as the boycott was not necessarily due to government action but a rejection of Canadian product at the farm gate. This reaction suggests that aggressive trade action by Canada has the potential to result in a popular rejection of Canadian goods, should it retaliate against Brazilian imports in a manner that effectively shuts off the Canadian market. It is notable that beef products, among a number of agricultural products, are included in the target list of potential Brazilian imports that might be subjected to the punitive tariff that Canada published in the *Canada Gazette* in May, 2000.

Instead of imposing punitive tariffs, Canada claims to have matched what it perceived to be non-compliant subsidies under the PROEX program. It did so on two occasions: the sale of seventy-five aircraft to Air Wisconsin in January, 2001; and the sale of up to 150 aircraft to Northwest Airlines in July, 2001. Engaging in a "matching" strategy may well prove detrimental to Canada's reputation before the multilateral trade community, as it represents the kind of self-help remedy said to threaten viability of the WTO dispute settlement mechanism. A more tangible result is that Brazil may soon be placed in a position to retaliate against Canada by imposing tariffs on Canadian imports, including potash and sulphur. In the *Canada-Export Credits and Loan Guarantees for Regional Aircraft* panel report released on January 28, 2002³², the WTO Panel determined that Canada extended prohibited export subsidies on occasion since 1996, but most notably when it offered the "matching" subsidies to Air Wisconsin³³. Subject to an appeal, Canada has been given 90 days to remove the subsidies, said to constitute \$1.7 billion in financing, which will likely prove impossible due to the contractual obligations that Canada and Bombardier entered into at the time. Brazil is also in a position to commence a new WTO complaint that undoubtedly will find that prohibited export subsidies were provided to Northwest Airlines. Canada will then have "lost" two panel determinations and the score will be five to two, if keeping score serves any purpose.

31. "Comércio veta os produtos do Canadá"

32. *Canada – Export Credits and Loan Guarantees for Regional Aircraft*, WT/DS222/R, Jan 28th, 2002, hereinafter "*Canada-Export Credits*"

33. *Ibid.*, Para 8.1 "In conclusion we: ...

(e) uphold Brazil's claim that the EDC Canada Account financing to Air Wisconsin constitutes a prohibited export subsidy contrary to Article 3.1(a) of the *SCM Agreement*;

(f) uphold Brazil's claim that the EDC Canada Account financing to Air Nostrum constitutes a prohibited export subsidy contrary to Article 3.1(a) of the *SCM Agreement*;

(g) uphold Brazil's claim that the EDC Corporate Account financing to Comair in July 1996, August 1997 and February 1999 constitutes a prohibited export subsidy contrary to Article 3.1(a) of the *SCM Agreement*."

The question arises as to what strategy Canada should adopt in trying to resolve this seemingly intractable dispute. In this study, we identify three strategies:

- (a) a policy of forbearance by which Canada and Brazil refrain from retaliation and implement an institutional solution that adjudicates allegations of improper subsidization on an expedited basis;
- (b) Canada and Brazil enter into an unrestricted bidding war for each new contract; or
- (c) Canada and Brazil impose retaliatory, punitive tariffs on one another.

With respect to the institutional solution, the various WTO panel and appellate body determinations that have been issued in this dispute have established that the major government support programs of each country (Brazil-PROEX, Canada – the Canada Account, Export Development Corporation financing) have been modified in a way that they have been found compliant “as such” with the *World Trade Organization Agreement on Subsidies and Countervailing Measures*, (“SCM Agreement”)³⁴. Canada and Brazil must challenge each offer of support on its terms as to whether it confers a “benefit” to the customer airline contingent upon export performance. It will be difficult if not impossible to develop “bright line” rules of general application, beyond those already included in the *OECD Arrangement on Guidelines for Officially Supported Export Credits* (“OECD Arrangement”)³⁵. Both governments have demonstrated significant creativity and “flexibility of thought” in crafting new offers of support.

An arbitral mechanism should be able to determine the consistency of a specific offer of financing before the contract is awarded. The determination made in *Canada-Export Credits* suggests that Canada learned of the Brazilian offer in October, 2000, and “matched” it on May 10, 2001.³⁶ A period of seven-eight months should be sufficient for an arbitral panel to determine whether the government offer of financial assistance exceeds those available on the commercial market. Obviously, the arbitral determination should be binding on the parties either directly by enjoining the provision of non-compliant support, or enforceable in the ordinary course through the WTO Dispute Settlement Mechanism. This solution should also address allegations made recently by Embraer officials that Canada cannot be trusted to make full disclosure of its support programs in negotiations to resolve the dispute.³⁷ An expedited arbitration process should require disclosure of information relating to alleged subsidy programs, failing which an appropriate adverse inference might be drawn against the party failing to produce clearly relevant information.

34. *World Trade Organization Agreement on Subsidies and Countervailing Measures*, (“SCM Agreement”), April 15, 1994, Marrakesh Agreement Establishing the World Trade Organization The Legal Texts – The Results of the Uruguay Round of Multilateral Trade Negotiations 264 (1994)

35. *Brazil – Export Financing Programme for Aircraft, Second Recourse by Canada to Article 21.5 of the DSU*, WT/DS46/RW/2, July 26th, 2001 para 5.67, at pg 23, (“Second Recourse by Canada Panel Report”)

36. *Canada-Export Credits*, *op cit. supra*, Note 15., at para 7.137 at 35

37. It has been alleged that Canadian government officials have not been forthcoming with information relating to various government programs that Brazil has alleged constitute WTO-illegal export subsidies. “Ottawa can’t be trusted in jet talks: Embraer executive”, *Financial Post*, Jan 24th, 2002, at FP5

A competition of "matching subsidies" or entering into a bidding war is a "tit for tat" strategy that takes the form of an iterative prisoner's dilemma. Game theory provides support for such a strategy in the context of export subsidies. However, there are a number of problems with the application of game theory in this context. First, it oversimplifies the nature of the dispute, assuming that each government is a single "rational actor" that has complete knowledge of the options available and a prescient ability to forecast the utility-maximizing alternative. Graham T. Allison explains the manner in which the "rational actor" model underlies game theory and neoclassical economic theory.³⁸ He provides two alternative models based on the organizational and political aspects of governmental decision making in international conflicts or crises. These alternative models highlight the importance of institutional and business elites within Canada and Brazil in the decision process to provide on-going financial support and in fashioning a response to threats of retaliation.

The imposition of retaliatory, punitive tariffs is the least attractive solution. An analysis of the performance of the dispute settlement mechanism since the implementation of the *WTO Uruguay Round Agreements* in 1995, suggest that retaliation has played little, if any, role in achieving compliance. A total of eighty-four panel reports have been adopted, along with thirty appellate reports. Only six disputes have reached the stage of an Article 22.6 panel determination authorizing a particular level of retaliation to be taken, through the imposition of punitive tariffs or the withdrawal of other obligations under the *WTO Agreements*. Three have resulted in the imposition of punitive tariffs and only in one case³⁹ has a settlement been reached, but only after the tariffs were in place for two years and it is unclear to what degree they contributed to the eventual settlement. In all three cases, the punitive tariffs appear to have been seen as a cost of doing business, justifying the continuation of the non-complying measure that gave rise to the dispute. The factor that appears to have resulted in compliance is not the threat of the imposition of tariffs, but the pressure brought by the multilateral community through the ongoing scrutiny of measures taken by the responding nation on a regular basis, pursuant to the review procedures of the WTO Dispute Settlement Mechanism.

The importance of pressure from the international community points to an important benefit of an expedited arbitral process that takes place *before* the government financing has been extended. It should help each government to answer its own constituencies in resisting pressure to take a position that is contrary to the rules of international trade. A relatively quick decision that a particular subsidy package is "offside", presumably should allow the Canadian and Brazilian governments to withdraw, or at least modify, the financing terms. The existing provisions of the *OECD Arrangement*⁴⁰ will likely provide the legal rules to be applied for the expedited arbitral process, as it was reviewed extensively by the WTO panels convened in this dispute in defining the limits of the "safe haven" recognized by the *WTO SCM Agreement*.⁴¹ This result should be attractive to Canada

38. Graham T. Allison, *Essence of Decision, Explaining the Cuban Missile Crisis*, 1971, Little, Brown and Company, Boston

39. E.U. – *Regime for the Importation, Sale and Distribution of Bananas* (WT/DS 27), April 9th, 1999

40. *Brazil – Export Financing Programme for Aircraft, Second Recourse by Canada to Article 21.5 of the DSU*, WT/DS46/RW/2, July 26th, 2001 para 5.67, at pg 23,

41. The "safe haven" is found in item (k) of the Illustrative List of Export Subsidies set forth in Annex 1 of the *SCM Agreement*. *Canada – Export Credits*, *op cit supra*, note 15, paras 7.138-9 and 7.159

as the Department of Foreign Affairs and International Trade has stated that Brazilian adherence to the OECD Arrangement is its chosen "end game".

In this study, it is suggested that forbearance is a superior strategy to a policy of "matching subsidies", while the application of punitive duties is the least attractive option of the three. We start our analysis with a review of the political and economic circumstances in Brazil to place the *Aircraft from Brazil/Canada* dispute in context. The PROEX program is analyzed in the light of Brazilian economic circumstances, to demonstrate the importance of Embraer exports in helping to finance Brazil's current account deficit through export performance. The current status of the dispute is then analyzed along with the three options outlined above. The theory underlying the concept of retaliation in trade disputes is presented, along with a discussion of the strategic factors that are important in the success of the form of retaliation under review. The case for an arbitral mechanism is discussed in the context of the "forbearance option" and its structure and design are considered.

Changes may soon take place through new entrants to the market that may highlight the need to settle this dispute. Europe-based Fairchild Dornier is reported to be "among two or three aircraft manufacturers with plans to get into the regional jet business."⁴² Boeing had announced a joint venture with the Ilyushin and Sukhoi aircraft manufacturers to consider building regional jet models seating up to 100 passengers, in direct competition with Embraer and Bombardier.⁴³ It is unclear the degree to which the events of September 11th will delay plans. Canadian and Brazilian officials should no longer view the regional jet aircraft market as a two-party competition, with new and deeper pockets on the horizon. They have an opportunity now to establish a new institutional mechanism that may be used to settle the multi-party contract competitions that may be on the horizon.

II. UNDERSTANDING BRAZIL

Brazil is a country of extremes in the midst of a political and economic experiment. Brazil ranks among the top twenty nations economically with a GDP of \$800 billion U.S. and a population of 163.9 million,⁴⁴ one-quarter of which live below internationally defined poverty levels, without access to adequate food, health, education and employment.⁴⁵ The United Nations' 1999 report on the human development index showed Brazil falling from sixty second to seventy-ninth overall.⁴⁶ It is a nation in a state of transition, emerging from its latest military dictatorship in 1985.⁴⁷

Throughout the postwar period, Brazil followed the import substitutional strategy that was prevalent throughout Latin America. It maintained high tariffs and other non-tariff barriers to protect domestic industry from foreign competition.⁴⁸ The government played a leading role in organizing marketing cartels in a number

42. "Accentuate the positive", The Toronto Star, February 3rd, 2002, C1 at C3

43. "Boeing Wants More Russia Cooperation," August 18, 2001, http://money.iwon.com/jsp/nw/nwdt_rt_top.jsp?cat=TOPBIZ&src=202§ion=news&news_id=reu-155964&date=&alias=/alias/money/cm/nw

44. <http://www.ibge.gov.br/english/estatistica/economia/contasnacionais/vol1/tab5.shtm>, last visited August 17th, 2001

45. Thomaz Guedes da Costa *Brazil in the New Decade, Searching for a Future*, The Centre for Strategic and International Studies, September 2000,

46. *Ibid.*, at 1. Seventy-seven percent of Brazilian households boast running water while only 40.7 percent have sewers.

Ibid., at 12

47. *Ibid.*, at 5

48. *Ibid.*, at 10

of key commodities and created new state enterprises.⁴⁹ This resulted in the development of an inefficient manufacturing sector, with relatively poor access to technology.

After the election of Fernando Collor in March 1990, the first elected president since the fall of the military dictatorship,⁵⁰ Brazil began a denationalization program.⁵¹ This involved a move from its import substitutional model and policy of market management to “an outward-oriented, market-driven economy, supported by disciplined financial policies.”⁵² Regional integration also became a key ingredient of the adoption of a more open trade environment with the formation of Mercosur in 1991, comprised of Brazil, Argentina, Paraguay, and Uruguay.⁵³ It has since been augmented by a free trade agreement with Chile in June 1996,⁵⁴ and Bolivia in December 1996.⁵⁵ The Mercosur nations and Chile represent more than 59 percent of Latin America and the Caribbean gross domestic product, with Brazil alone accounting for 37 percent.⁵⁶ A corridor runs through Mercosur plus Chile that includes twenty large cities, with seventy million urban consumers having a per capita income of approximately US \$10,000.00.⁵⁷

It has been suggested that Mercosur remains the most important trade initiative on Brazil’s international affairs agenda, having a “huge impact on government ministries in mobilizing ideas and resources.”⁵⁸

The Mercosur initiative is a gamble made by the Brazilian government and people, and the political consequences, both internally and externally, are significant.⁵⁹

And further,

For Brazilian policymakers, the images of successful trade integration in the European Union and a history of unsuccessful schemes for commercial integration in Latin America instilled a sense of urgency to explore the possibility of a free trade zone with Argentina. Other forces pushing the Brazilian desire for Mercosur included the idea that the new trade area

49. *Ibid.*

50. *Ibid.*

51. *Ibid.* at 15. In the first phase, denationalization occurred in such sectors as steel, fertilizer, and petrochemical industries through the acceptance of cash and public debt certificates as payment, for revenues of U.S. \$4 billion until 1992. The program entered a second phase in which restrictions were withdrawn that prohibited foreign investors. By December 1998, total sales revenue amounted to \$68 billion with participation of foreign investors up to \$28 billion. Canada’s participation was limited mainly to the telecommunications sector within which Canada invested \$640.7 of the total \$661.7 millions that Canada invested in the program. *Ibid.*, at 16, Table 3.4

52. *Trade Policy Review, Brazil 2000, op cit., supra*, Note 9, at 1, para 1

53. Sidney Weintraub, *Development and Democracy in the Southern Cone, Imperatives for U.S. Policy in South America*, the Centre for Strategic and International Studies, February 2000, at 1. It follows on two earlier failed attempts at regional integration involving *Latin American Free Trade Agreement* (“LAFTA”) reached in 1960 with the goal of reaching free trade over a twelve year period. *Ibid.*, at 8. In 1978, the Treaty of Montevideo restructured the agreement into a new organization called the *Latin American Integration Association* (“ALADI”), at 8. The agreement was flawed because it only required the parties to follow the rules to the degree possible.

54. *Trade Policy Review, op cit., supra*, Note 9 at 21. The Mercosur – Chile Free Trade Agreement will involve free trade for at least three quarters of its tariff lines by January 2006 and free trade for all tariff lines by 2014.

55. Robert Bouzas, *Mercosur’s External Trade Negotiations: Dealing with a congested Agenda*, published in Riordan Roett, *Mercosur, Regional Integration World Markets*, Lynne Rienner Publishers, Inc., 1999, 81-93, at 83

56. Weintraub, *op cit., supra*, Note 36, at 1.

57. Felix Pena, *Broadening and Deepening: Striking the Right Balance*, published in Riordan Roett, *op cit., supra*, Note 38, 1999, 49-61, at 54.

58. Da Costa, *op cit., supra*, Note 28, at 22.

59. *Ibid.*

would function as a springboard to improve Brazilian businesses' competitiveness and production scale and that Mercosur would function as a negotiating platform to expand Brazil's political presence in global disputes on trade and investments, most notably to generate a counterweight on issues advanced by the United States.⁶⁰

Mercosur is a large regional market providing a degree of insulation which Brazilian industries can use to adapt to international competition. It was established with the objective of creating a common market with the free movement of goods, services and persons by the end of 1994.⁶¹ In 1995, with the introduction of the Common External Tariff ("CET"), the parties agreed to create a customs union, which should be fully operational by 2006.⁶² Most tariffs between members were removed on January 1st, 1995, with 85 percent of intra-trade becoming duty free.⁶³

While it has been suggested that market liberalization was practically the only major industrial policy initiative from 1990 through 1994,⁶⁴ the Mexican financial crisis of late 1994 marked a period of partial reversion of market liberalizing activities.⁶⁵ The crisis led to the implementation of the "Real Plan" fiscal measures in 1995 that stabilized the Brazilian economy, reduced inflation, but increased the Brazilian exchange rate. This had the effect of placing Brazil's industrial sector under increasing international competition which, in turn, led to a resurgence of protectionist pressure.⁶⁶ The impact of the crisis on trade strategy was then exacerbated by the Russian moratorium on debt repayment and the Asian financial crisis that occurred in 1998. These crises generated a large capital flight from emerging markets requiring Brazil to further raise short-term interest rates⁶⁷ and undertake a tightening of the fiscal regime.⁶⁸ In mid-January 1999, Brazil was forced to adopt a flexible exchange rate regime which led to depreciation in its currency, the Real, by thirty percent versus the American dollar. It contributed to a substantial decrease in Brazil's trade with its Mercosur partners in 1999.⁶⁹ The cost of credit remains high notwithstanding that Brazil has been able to gradually reduce interest rates since the financial shocks of 1997-8.⁷⁰

The result was a worsening of the Brazilian current account and trade balance through 1999, when capital flows were negative notwithstanding a substantial increase in foreign direct investment. The deterioration in the terms of trade,⁷¹ led to a dampening of export activity.

60. *Ibid.*, at 8

61. *Trade Policy Review*, *op cit.*, *Supra*, Note 9, at 20

62. Lia Valls Pereira, *Toward the Common Market of the South: Mercosur's Origins, Evolution, and Challenges*, published in Roett, *op cit.*, *Supra*, Note 38, pp 7-23 at 11.

63. *Trade Policy Review*, *op cit.*, *Supra*, Note 9.

64. Pedro da Motta Veiga, *Brazil in Mercosur: Reciprocal Influence*, Roett, *op cit.*, *Supra*, Note 38, pp 25-33, at 27.

65. *Ibid.*, at 28-9

66. *Ibid.*

67. Brazilian Rates	1995	1996	1997	1998	1999
Savings	39.74	16.34	16.55	14.43	12.24
Deposits (90 days to 1 yr)	n.a.	26.18	23.86	26.21	24.71
Lending (90 days to 1 yr)	154.51	74.12	61.59	64.69	61.36

Trade Policy Review, *op cit.*, *supra*, Note 9, at Table 1.1, at 3

68. *Trade Policy Review*, *op cit.*, *supra*, Note 9, at 5.

69. *Ibid.*, para 35, at 12.

70. *Trade Policy Review*, *op cit.*, *supra*, Note 9, at 2.

	1995	1996	1997	1998	1999
Consumer Price Index (ICPA)	66.0	15.8	6.9	3.2	4.9

71. The decrease in the terms of trade resulted from an increase in international oil prices while the price of commodity exports remained depressed. *Ibid.*, at 7

TABLE ONE:
BRAZILIAN BALANCE OF PAYMENTS 1995-1999 (US \$millions)⁷²

	1995	1996	1997	1998	1999
Overall balance	13,479	9,016	-7,846	-17,284	-10,739
Current account balance	-17,973	-23,142	-30,909	-33,615	-24,379
– Trade balance	-21,973	-26,042	-33,125	-35,394	-26,419
– Merchandise Trade bal.	-3,352	-5,599	-6,846	-6,593	-1,207
– Exports f.o.b.	44,506	47,747	52,994	51,140	48,011
– Imports f.o.b.	49,858	53,346	59,840	57,773	49,218
– Services	-18,595	-20,443	-26,279	-28,801	-25,212
Capital account balance	29,359	33,958	25,974	20,197	13,805
Terms of Trade ⁷³	95.5	105.8	100.0	98.4	85.6

The combination of these various shocks to the economy led Brazil to begin to modify its market liberalization strategy. In 1995, Brazil began a limited process of managing imports, largely through increasing tariffs, to avoid a significant depreciation in the balance of trade, which ran a deficit for the first time that year after more than a decade of positive balances.⁷⁴ Brazil also introduced new government programs to provide incentives for investment and public financing (including subsidies) for export promotion.⁷⁵ Brazil increased the CET by three percentage points in 1997, which contributed to an increase in the average MFN tariff rate to 13.7 percent,⁷⁶ with an applied MFN tariff of 12.6 percent for agricultural goods and of 13.9 percent for manufactured goods.⁷⁷

The WTO, in its Trade Policy Review of Brazil published in 2000, noted that a concern of Brazilian authorities is Brazil's ability to finance its current account deficit. FDI flows have covered the deficit but these flows may decrease as the process of privatization that has been underway is completed. As a result, the authorities perceive the need to improve export performance, to narrow the trade deficit, and perhaps even to move it into surplus.⁷⁸ The government had set a target of exporting \$100 billion by 2002, which is more than twice its 1999 level of \$48.1 billion.⁷⁹ The target becomes more significant when one considers that of the four million businesses in Brazil, less than one half of one percent engage in exports, and that 90 percent of exporting income is concentrated in eight hundred businesses.

72. *Ibid.*

73. 1987 = 100, US\$ based.

74. Veiga, *op cit.*, *supra*, Note 47, at 28

75. *Ibid.*, at 28

76. *Trade Policy Review, op cit.*, *supra*, Note 9, at 26.

77. *Ibid.* at 31 The tariff shows a clear escalation, with a higher tariff average on processed items than on semi-processed goods and raw materials. This pattern holds for all industries with an average tariff rate of 15.8 percent on finished goods, 11.9 percent on semi-processed goods and 8.9 percent on raw materials.

78. *Trade Policy Review, op cit.*, *Supra*, Note 9, at 15, para 37

79. da Costa, *op cit.*, *Supra*, Note 28, at 21.

The balance of payments will be the factor to monitor for signs of a policy shift. As payments for the denationalization program approach deadline (as there are fewer enterprises to privatize) and the balance of trade continues to be negative the balance of payments will be a key indicator of Brazil's ability to sustain a favourable environment for foreign direct investment and open trade policies. As long as Brazil is able to sustain a positive perspective in attracting capital investment and income, internal popular demands of consumers and producers regarding the pace of opening Brazil's economy can be satisfied by the Central Bank's instruments to manage a favourable cash flow and its ability to meet foreign payment commitments. If the trends increasing the stock of external public and private debt and diminishing liquid foreign reserves **persist** (at the end of the period), pressure will increase to shift the picture of the balance of payments with protectionist measures.⁸⁰

Now the importance of Embraer and the aircraft industry becomes evident. In the context of Brazil's economic and political environment, Embraer is a powerful national symbol, becoming Brazil's largest exporter in 1999, representing 3.5% of total Brazilian exports.⁸¹ It is Brazil's largest aircraft manufacturer having been founded as a government company in 1969.⁸² It helps support a cluster of 500 companies employing 50,000 people. It holds a 45% market share in the regional jet market and 24% of the 20-40 seat market segment.⁸³ By June 2000, the company held an order book of US\$21 billion of which US\$8.6 billion were firm orders.⁸⁴ Its exports in 1999 amounted to US\$1.7 billion, representing 95% of the company's revenue (up from 63.1% in 1994). It provided a net foreign exchange contribution (after deducting imports and PROEX payments) of U.S.\$647 million. The aircraft industry in Brazil is considered to be its most dynamic export sector with its 1995 to 1999 performance as follows:

TABLE TWO:
BRAZILIAN AIRCRAFT SECTOR EXPORTS (US \$millions)⁸⁵

1996	1997	1998	1999
283.8	681.0	1,159.0	1,771.8

The political and economic importance of EMBRAER to Brazil is reflected in the allocation of financial support through PROEX. The program was established in 1991, with the objective of increasing Brazilian exports by facilitating access to export financing especially in respect of goods that require medium- to long-range financing.⁸⁶

80. *Ibid.*, at 31.

81. Trade Policy Review, Brazil 2000, *op cit.*, *Supra*, Note 9, at 93, para 67.

82. *Ibid.*, at 92, para 64-6. The company is now controlled by a Brazilian investment conglomerate, Bozano, Simosen Group and its two largest pension funds, Sistel and Previ. In 1999, it formed strategic alliances with the main French Aerospace companies (Aerospatiale-Matra, Dassault Aviation, Snecma, and Thomson-CSF).

83. *Ibid.*, at 92, para 66

84. *Ibid.*, at 93, para 67

85. *Ibid.*, at 88, Table IV.4

86. *Ibid.*, at 60, para 150

The importance of the program is reflected in its timing early in the adoption of a more open market strategy, both internationally and through the formation of Mercosur. Its orientation is reflected in the requirement that Brazilian goods are eligible for the maximum financing under the program if they contain 60% domestic content.⁸⁷ The program is widely available to Brazilian exporters, with an expansion in its coverage at the end of 1998 to include 94% of all lines in Brazil's tariff schedule and more than 80% of exports. Brazilian authorities indicate that 15% of all exports benefit from PROEX support.⁸⁸ While this may be true, EMBRAER absorbed 39-45% of total PROEX resources in 1998.⁸⁹

Brazil's political and economic stability appear to depend on its ability to re-orient its industrial structure from its traditional import substitutional model to a more open one that includes international competition. The opening of the economy is occurring slowly in key sectors, but with processed and technological goods enjoying higher rates of protection. Brazil must increase its exports substantially, to stabilize its current account deficit to avoid the economic instability that occurred in 1994 in Mexico and most developing nations in 1997-8 in the midst of the Asian financial crisis. It must attract the capital investment needed to increase internal development and international competitiveness. This is a significant challenge in circumstances where "Brazilian industrial development has [traditionally] displayed a chronic incapacity to control or reduce public deficits used to invest in infrastructure industries and social goods and to increase personal savings."⁹⁰

In these circumstances, EMBRAER must be seen as a national champion and a powerful symbol of Brazilian potential in world trade.⁹¹ Brazil can be expected to resist a meaningful reduction in PROEX support, especially when Brazilian officials do not appear to clearly accept the findings of the WTO panel, especially when exonerating Canadian programs while continuing to find its programs noncompliant. Embraer officials "often say WTO rules are designed by rich countries to benefit their economies, so Brazil couldn't possibly get a favourable decision."⁹²

The recent financial crisis within Argentina appears to be improving the prospects of Mercosur and further regional integration.⁹³ Argentina had actively courted the United States throughout the 1990s, by pegging its currency to the United States dollar and by attempting to engage the United States in free trade

87. *Ibid.*, at 60, para 151. Goods with a 60% domestic content are eligible for interest rate equalization payments on 85% of their value. Goods that have a domestic content less than 60% are eligible for an interest rate equalization reduced according to the percentage of domestic content.

88. *Ibid.*, at 60, para 153

89. *Ibid.*, at 93 para 68

90. Brazil in the New Decade, *op cit.*, *supra*, note 27,

91. "Since its privatisation, Embraer has become a source of pride in Brazil. It is a high-tech export success – foreign sales rose 60% last year to \$2.7 billion – capable of fighting rich countries' aerospace giants on equal terms. More than equal: whereas it is selling regional airlines a full model range from 47 to 108 seats, Bombardier has no model at the bottom end and Fairchild Dormier has nothing in the most popular 50-seat range." *Regional Jets, Small is Beautiful, The Economist*, March 17th, 2001, at 65.

92. InfoBrazil, "From Embraer-Bombardier Dispute to Brazil-Canada Showdown, InfoBrazil interviews Ambassador Jean Pierre Juneau, January, 2001."

http://www.infobrazil.com/Conteudo/Front_Page/Twenty_Questions/Conteudo.asp?ID_Noticia=439&ID_Area=2&ID_Grupo=10, last visited, August 19, 2001

93. *Argentina's Crisis, Harsh Realities*, *The Economist* Jan 26th-Feb 1st, 2002, at 34. Not all commentators agree that Mercosur will be strengthened. Inside U.S. Trade reports in an article, *Argentine Crisis Clouds Long-term FTAA Forecast, Won't Delay Start*, (January 18th, 2002 www.insidetrade.com). See footnote 4, *infra*.

negotiations.⁹⁴ Mercosur had struggled since 1999 when Brazil devalued its currency in a manner that exacerbated the recession in Argentina that did not have similar flexibility in its monetary policy.⁹⁵ Argentina is now turning to Brazil as one of its major export markets, especially at a time when the IMF and the United States may be tightening access to the capital markets. In June 2001, Henry Kissinger stated that "Argentina is, in a sense, a proxy for the rest of the region."⁹⁶ If true, Canada should be concerned that the continuance of this dispute will represent a trade irritant for an invigorated Mercosur that may look increasingly to the E.U. as a counterweight to negotiation of a FTAA. The negotiation of an E.U. – Mercosur association agreement appears to be an important trade initiative for the E.U.⁹⁷

III. THE HISTORY OF THE AIRCRAFT FROM CANADA/BRAZIL DISPUTE

Canada and Brazil have been embroiled in this dispute since 1996. A significant number of panel reports have been issued, with no end yet in sight if the dispute is not settled. Canada is defending an important industry within a sensitive geographic region. Brazil is defending a crucially important industry, but also perceives this dispute as one between a developed and developing nation on the basis of rules that favour the former.

(a). *Canadian Challenge of Brazil's PROEX Program*

In 1996,⁹⁸ Canada requested the establishment of a WTO Panel to rule on the legality of PROEX a program established by the Government of Brazil to provide export credit to Brazilian exporters.⁹⁹ With direct financing Brazil lends a portion of the funds required for the transaction. When extending interest rate equalization, Brazil provides to the financial institution extending the credit (domestic or foreign) an equalization payment to cover, at most, the difference between the interest charges contracted with the buyer and the borrowing costs to the financier.¹⁰⁰ The term for equalization payments for aircraft is often extended to fifteen years, by waiver of PROEX's guidelines of ten years. The interest rate spread to be equalized ranges up to 2.5 percentage points for a term of nine years or more.¹⁰¹

94. Kissinger, *Does America Need a Foreign Policy? Toward a Diplomacy for the 21st Century*, June 2002, Simon & Schuster, at 95.

95. *Mercosur Averts Trade Collision*, August 2nd, 1999, WTOWATCH.ORG

96. Kissinger, *op cit.*, *supra*, note 77, at 108

97. An E.U. Council Meeting report released on January 28th, 2002, (<http://ue.eu.int/Newsroom>) stated:

In the context of the current crisis in Argentina, the Council welcomes the will expressed by the Mercosur Foreign Affairs Ministers in their Joint Declaration, made in Buenos Aires on 11 January, 2002, to strengthen the integration process amongst their countries.

The Council believes that a strengthened Mercosur will be the key to the development of the region.

Finally, the Council reiterates the importance it attaches to the establishment of an Association Agreement between the E.U. and Mercosur. It welcomes the progress achieved so far in these negotiations and reiterates the EU commitment to continue to make further progress.

98. *Brazil – Export Financing Programme for Aircraft*, WT/DS46/R, 1999, para 1.1, at 1 ("Initial Panel Report")

99. *Brazil-Export Financing Programme for Aircraft – Recourse by Canada to Article 21.5 of the DSU*, WT/DS46/RW, May 9th, 2000, at para 2.1, at 2 ("First Article 21.5 Panel")

100. *Ibid.*, at para 2.2

101. *Ibid.*, at para 2.3 PROEX interest rate equalisation payments are established at the time the manufacturer requests a letter of commitment on behalf of the Government of Brazil, if the contract is entered into within ninety days. *Ibid.*, at para 2.5. PROEX payments begin after the aircraft is exported and paid for by the purchaser, with the payments resembling a series of zero-coupon bonds which mature at six-month intervals over the course of the financing period. *Ibid.*, at para 2.6

On August 20, 1999, the Dispute Settlement Body ("DSB") adopted the Appellate Body Report recommending that Brazil bring the PROEX program into compliance with the WTO SCM Agreement.¹⁰² It was found that the PROEX program provided export subsidies prohibited by SCM Article 3.2.¹⁰³ The Dispute Settlement Body recommended that Brazil withdraw export subsidies for regional aircraft within 90 days.¹⁰⁴ On May 9, 2000, the WTO panel determined that Brazil's changes to the PROEX program did not bring the program into compliance.¹⁰⁵ Canada provided notification to Brazil that it proposed to undertake retaliation in the amount of \$700 million (Cdn)¹⁰⁶ through one or more of the following measures:¹⁰⁷

- (a) Application of a 100 percent surtax on selected imports from Brazil;
- (b) Suspension of Brazil from the list of countries eligible for the General Preferential Tariff;
- (c) Suspension of injury inquiries under the *Special Import Measures Act*, in countervailing duty investigations in respect of goods from Brazil that benefit from PROEX subsidies;
- (d) Suspension of Canada's obligations to Brazil under the *WTO Agreement on Textiles and Clothing* (the *Multifibre Agreement*); and
- (e) Suspension of Canada's obligations to Brazil under the *WTO Agreement on Import Licensing*, permitting Canada to impose special licensing requirements on imports from Brazil.

The list of goods referred to in the first measure above, is set forth in Appendix I, which also indicates the import volume in these goods from Brazil from 1996 to 2000, as well as those products excluded from the target list. To give a clear picture of the pattern of bilateral trade, Appendix II also provides an analysis of the exports to Brazil from Canada based on the target list.

On May 22, 2000, Brazil requested the Dispute Settlement Body to re-convene the panel for the limited purpose of determining whether the "countermeasures"

102. *World Trade Organization Agreement on Subsidies and Countervailing Measures*, ("SCM Agreement"), April 15, 1994, Marrakesh Agreement Establishing the World Trade Organization The Legal Texts – The Results of the Uruguay Round of Multilateral Trade Negotiations 264 (1994)

103. *First Article 21.5 Panel Report, op cit Supra*, Note 81, para 6.9 at 7. Article 3.2 provides: "A Member shall neither grant nor maintain subsidies [contingent, in law or in fact, whether solely or as one of several other conditions, upon export performance, including those illustrated in Annex 1]."

104. *Ibid.*, at para 1.2.

105. On November 19, 1999, Brazil submitted a status report indicating certain changes to the PROEX program which, in Brazil's view, brought the program into compliance. *Ibid.*, at para 1.3. Canada requested a panel pursuant to WTO DSM Article 21.5 to determine whether the measures taken by Brazil did indeed achieve this result. On May 9th, 2000, the original panel that heard the dispute determined that the PROEX program was not brought into compliance. On July 21st, 2000, the Appellate Panel confirmed the Article 21.5 panel determination. *Brazil – Export Financing Programme for Aircraft, Recourse by Canada to Article 21.5 of the DSU*, WT/DS46/AB/RW, July 21st, 2000 ("First Article 21.5 Appellate Report")

106. *Brazil – Export Financing Programme for Aircraft, Recourse to Arbitration by Brazil Under Article 22.6 of the DSU*, WT/DS46/ARB, August 28th, 2000, ("Brazil Article 22.6 Panel Report"), para 1.1

107. *Notice of Intention to Retaliate in Response to the Government of Brazil's Refusal to Eliminate Illegal Subsidies on Exports of Regional Aircraft*, *Canada Gazette*, Part I, May 13, 2000, at 1454-64

108. Panel Report, *op cit Supra*, Note 6, para 1.2

requested by Canada were appropriate.¹⁰⁸ The panel report was released on August 28, 2000 and issued the following award:

[T]he Arbitrators decide that, in the matter *Brazil – Export Financing Programme for Aircraft*, the suspension by Canada of the application to Brazil of tariff concessions of other obligations under GATT 1994, the *Agreement on Textiles and Clothing* and the *Agreement on Import Licensing Procedures* covering trade in a maximum amount of C\$344.2 million per year would constitute appropriate countermeasures within the meaning of Article 4.10 of the Agreement.

In this respect, the Arbitrators urge Canada to make sure that, if it decides to proceed with the suspension of certain of its obligations vis-à-vis Brazil referred to in document WT/DS46/16 other than the 100 per cent surtax, this will be done in such a way that the maximum amount of countermeasures referred to in the preceding paragraph will be respected.¹⁰⁹

Canada was granted authority to impose “economic countermeasures” against Brazil, but has declined to do so. Instead, on January 10, 2001, Canada “matched” Brazilian financing terms on a sale to Air Wisconsin to secure a contract for seventy-five jets. On March 12, 2001, this financing was challenged by Brazil through the commencement of a panel review of the Canadian financing on the basis that it was a form of retaliation that had not been either notified nor sanctioned by the WTO Dispute Settlement Body. On July 9, 2001, Canada claimed that it had matched Brazilian financing terms to Northwest Airlines to secure a contract for up to 150 jets.

At the time when Brazil commenced the complaint in respect of the Air Wisconsin contract, Canada brought a further proceeding challenging the manner in which Brazil changed its PROEX program to bring it into compliance with the *WTO SCM Agreement*.¹¹⁰ It was found that the revised program was compliant with Section 3.1(a) of the *SCM Agreement*, “as such”.¹¹¹ This section prohibits subsidies that constitute a financial contribution by a government which confers a benefit and which is contingent upon export performance.¹¹² The panel reviewed the structure of the PROEX program in a “*per se*” manner that does not involve consideration of specific instances in which PROEX support is provided.

Under this approach, panels have not found legislation as such to be inconsistent with GATT/WTO obligations, unless that legislation mandated, or required, the executive branch to take action which was not in conformity with a Contracting Party's/Member's obligations under the GATT 1994/WTO Agreement.¹¹³

The panel in *PROEX III* concentrated on two substantive provisions within the revised program, the first requiring that interest rate equalization be established on

108. Panel Report, *op cit. Supra*, Note 6, para 1.2

109. Article 22.6 Panel Report, *op cit., Supra*, Note 6 para 4.1-4.2, at 27

110. The dispute was commenced on January 22nd, 2001. *Brazil- Export Financing Programme for Aircraft, Second Recourse by Canada to Article 21.5 of the DSU*, WT/DS46/RW2, July 26th, 2001,

111. *Ibid.* at para 5.206-8, pg 51. Paragraph 3.1(a) of the *SCM Agreement* provides:

Except as provided in the Agreement on Agriculture, the following subsidies, within the meaning of Article 1, shall be prohibited:

(a) subsidies contingent, in law or in fact, whether solely or as one of several other conditions, upon export performance including those illustrated in *Annex I*.

112. *Ibid.*, para 5.19, at 13

113. *Ibid.*, para 5.09, at pg 11

a case-by-case basis at levels that may be below the Commercial Interest Reference Rates ("CIRR") published monthly according to the OECD. The CIRR is established by the OECD Arrangement as the "acceptable" interest rate that members may offer without risk of retaliation or criticism. The second provision is that the eligibility request be analyzed with reference to "the financing terms practised in the international market."¹¹⁴ The panel found that these provisions are in compliance with Article 3.1(a) because "Brazil maintains the discretion to limit the provision of PROEX III interest rate equalization payments to circumstances where a benefit is not conferred in respect of regional aircraft."¹¹⁵

The panel also found that the PROEX III program complied with the "safe harbour" exception to Article 3.1(a), in circumstances where Brazil complied with the *OECD Arrangement*.¹¹⁶ It provides rules for the calculation of country-specific interest rates as well as the design of other terms and conditions of sale and establishes the most generous terms that can be offered. The *WTO SCM Agreement* accepts the *OECD Arrangement* as a "safe harbour" and that compliance with its terms by either members such as Canada or non-members such as Brazil will be deemed compliant with the *WTO SCM Agreement*, notwithstanding the fact that the subsidies in question would otherwise be considered WTO-illegal export subsidies. Brazil was found in compliance with the *OECD Arrangement* because *PROEX III* provided the measure of discretion necessary to allow Brazil to select interest rates and terms and conditions of sale that are consistent with it.¹¹⁷

Throughout the decision, the panel stresses that its decision is limited to a "*per se*" analysis as to whether the structure of the program mandated non-compliance with Article 3.1(a) or the *OECD Arrangement*. The finding of compliance was made notwithstanding the anecdotal evidence that Canada submitted indicating that Brazilian officials intended to operate the program in a way such that it would not be compliant.¹¹⁸ Canada also alleged that in two recent cases, Brazil had offered interest rate support, through Embraer, on terms that did not satisfy the provisions of the *OECD Arrangement*. The panel accepted Brazil's statement that it had not issued any letters of commitment concerning regional aircraft under the PROEX program and Canada failed to provide any evidence to the contrary.¹¹⁹ At the end of its decision, the panel once again returned to the limitation placed on its decision that PROEX III was compliant with Article 3.1(a) and the *OECD Arrangement*:

Our conclusion that the PROEX III program, as such, is not inconsistent with the *SCM Agreement* is based on the view that it is legally possible for Brazil to operate the PROEX III program in such a way that it will:

(a) not result in a benefit being conferred on producers of regional aircraft and, hence, not constitute a subsidy within the meaning of Article 1.1 of the *SCM Agreement*; or

114. *Ibid.*, paras 2.4-5, at pg 2-3

115. *Ibid.*, para 5.55-6, at pg 21

116. *Ibid.*, para 5.67, at pg 23, ("*OECD Arrangement*")

117. *Ibid.*, paras 5.206-8.

118. *Ibid.*, para 5.189, at 48. "Canada refers to a number of press reports and reported statements by Brazilian officials.

According to one such statement, attributed to the then-Foreign Minister of Brazil, Brazil will not respect the 10-year maximum term for interest rate equalisation."

119. *Ibid.*, para 5.190, at 49. Canada had provided the panel with sworn declarations of people who claimed to know the terms offered by Embraer in the relevant sales campaigns involving regional aircraft.

(b) result in a benefit being conferred on producers of regional aircraft, but conform to the requirements of the safe haven of the second paragraph of item (k) in which case it would not constitute a prohibited export subsidy within the meaning of Article 3.1 of the *SCM Agreement*.

We wish to be clear, however that it does not necessarily follow from our conclusion that future application of the PROEX III program will, likewise be consistent with the *SCM Agreement*. It should be mentioned in this regard that Canada is free to challenge such future application in accordance with the provisions of the DSU if it considers it not to be in conformity with the *SCM Agreement*.¹²⁰

If the PROEX program is compliant *per se*, each offer of government financing support must be reviewed on a case by case basis. Pursuant to the WTO Dispute Settlement Mechanism, the illegality of a specific application of the program will not be determined until well after the subsidy has been bestowed.

Notwithstanding that the PROEX programme is now compliant *per se*, Brazil has not fully complied with the directions of the WTO panel. Brazil has yet to withdraw the PROEX subsidies that had been extended in contracts executed prior to November 18th, 1999, in respect of aircraft not yet delivered.¹²¹ The fact that the withdrawal of these subsidies may place Brazil in breach of contract is considered irrelevant by the WTO panel:

Nor are we convinced that a different interpretation is required because Brazil asserts that it has a contractual obligation to issue PROEX bonds pursuant to commitments already entered into, and that it would be liable to damages for breach of contract if it failed to do so. Assuming that Brazil is correct in this regard, the implication of this view would be that Members could contract to grant prohibited subsidies for years into the future and be insulated from any meaningful remedy under the WTO dispute settlement system. Nor is this a purely hypothetical situation. If Canada's figures are correct – and Brazil has not disputed their overall accuracy – Brazil has outstanding commitments to issue NTN-1 bonds pursuant to PROEX as it existed before modification in respect of nearly 900 regional aircraft that have yet to be exported. Letters of commitment in respect of some 300 regional aircraft were issued after the Panel Report in the original dispute was circulated to Members on 14 April 1999. By Brazil's reasoning it should be allowed to continue issuing bonds upon the exportation of these aircraft for years to come.¹²²

These outstanding commitments provided the basis for the calculation giving rise to the authorization of countermeasures in the amount of \$2.065 billion that was then allocated over a five year period at a level of \$344.2 million per year.¹²³

(b) Brazil's Challenge of Canadian Support Programs

After Canada commenced the initial complaint, Brazil responded with its own

120. *Ibid.*, para 6.2-3, at 63-4

121. *Brazil-Export Financing Programme for Aircraft-Recourse by Canada to Article 21.5 of the DSU*, WT/DS46/RW, May 9th, 2000, ("Brazil Export Financing, First Recourse")

122. *Ibid.*, at para 6.16, at 9

123. *Brazil Article 22.6 Panel Report*, op cit. supra, note 88, at para 3.19, 3.66, 4.10

challenge of Canadian government programs, commencing its complaint on March 10th, 1997.¹²⁴ The WTO panel found the Federal "Canada Account" financing¹²⁵ and the Technology Partnerships Program¹²⁶ to be prohibited export subsidies and the finding was affirmed on appeal and adopted by the Dispute Settlement Body on August 20th, 1999.¹²⁷ The 1996/7 Business plan for the Technology Partnership program stated that in the aerospace sector, it will "directly support the near market R&D projects with high export potential."¹²⁸ After the panel report was affirmed, the Minister for International Trade developed a policy guideline and undertook "not to authorize any transaction under the Canada Account unless it complied with the OECD Arrangement."¹²⁹ Canada also undertook to change the Technology Partnerships Program to ensure it complied.¹³⁰ On subsequent review, the WTO panel determined that Canada had brought the Technology Partnerships into compliance but that the Canada Account was still not compliant, as the new policy guideline was not sufficiently restrictive.¹³¹ The restrictions the panel required to be implemented included that the net interest rates be at or above the relevant CIRR, and that "no derogations would be made, either at Canada's initiative or via matching."¹³²

The *Canada-Export Credits* panel report released on January 28, 2002,¹³³ found that the "Canada account" financing provided to Air Wisconsin by the Export Development Corporation, was a prohibited export subsidy.¹³⁴ It was determined that the support constituted a "financial contribution" that conferred a "benefit",¹³⁵ that was "contingent upon export performance."¹³⁶ Canada defended the financial support on the basis that it was protected by the "safe haven" provided by the *OECD Arrangement*¹³⁷ which allows the "matching" of an offer of financial support. This "arrangement" is a gentlemen's agreement that has no enforcement provision other than allowing parties, on notice to the other members, to match the interest rate terms and conditions offered either by members or non-members.¹³⁸ The panel rejected Canada's "safe haven" argument in a manner consistent with earlier panel reports.¹³⁹ The Panel noted that the determination depended on what was being matched, with certain "permitted exceptions" from the *OECD Arrangement* being

124. *Canada-Measures Affecting the Export of Civilian Aircraft*, WT/DS70/R, 1999, at 1

125. "The Canada Account operates under the mandate of the EDC, and, per EDC's 1995 annual report, is used to "support export transactions which the federal government deems to be in the national interest but which, for reasons of size or risk, [the EDC] cannot support through regular export credits." *Canada-Measures Affecting the Export of Civilian Aircraft, Recourse by Brazil to Article 21.5 of the DSU*, WT/DS70/RW, May 9th, 2000, para 5.53, at 17

126. The Technology Partnerships program was introduced in 1996 as "an effective, market-driven tool to stimulate the development and commercialization of technologies ...[that] share[s] risk with private sector, participants, gain royalties from successful projects and reinvest these repayments to help support new initiatives." *Science and Technology for the New Century A Federal Strategy*, Canadian Ministry of Supply and Services, March 11, 1996, at 13

127. *Ibid.*, at para 1.1, at 1 ("Brazil Recourse to Article 21.5"), affirmed on appeal, WT/DS70/AB/RW, AB-2000-4, July 21st, 2000

128. *Brazil Recourse to Article 21.5, Ibid.*, at para 5.20, at 10

129. *Ibid.*, para 1.4, at 1

130. *Ibid.*, para 1.6, at 2

131. *Ibid.*, para 5.147, at 40

132. *Ibid.*

133. *Canada-Export Credits*, WTO Panel Report, *op cit.*, *supra*, note 15

134. *Ibid.*, at para 7.182, at 46. The panel found that the support constituted a "financial contribution" (para 7.141),

135. The finding of benefit was made in part because "Minister Tobin stated that Canada is providing Air Wisconsin with 'a better rate than one would normally get on a commercial lending basis.'" *Ibid.*, at para 7.143

136. *Ibid.*, at para 7.182, at 38 due in part to the Canada Account's mandate which is "to support and develop Canada's export trade and Canadian capacity to engage in that trade .."

137. *Brazil - Export Financing Programme for Aircraft, Second Recourse by Canada to Article 21.5 of the DSU*, WT/DS46/RW/2, July 26th, 2001, para 5.94, at 28 ("PROEX III")

138. *Canada-Measures Affecting the Export of Civilian Aircraft, Recourse by Brazil to Article 21.5 of the DSU*, WT/DS70/RW, May 9th, 2000, at para 5.82, at 24

eligible for matching while “derogations” could not be matched.¹⁴⁰ The Panel noted that non-members to the *Arrangement* – such as Brazil – would not have access to information regarding the terms and conditions offered or matched by members and so the non-members would be placed at a systematic disadvantage.¹⁴¹ The *PROEX III* panel had indicated that the rationale for the disciplining aspect of the matching provision within the *Arrangement*, is not applicable to the *WTO SCM Agreement*. “The *SCM Agreement*, is a binding instrument, and it is enforceable through the WTO dispute settlement mechanism.”¹⁴² The *Canada-Export Credits* panel report that was just released also commented on the nature of the WTO dispute settlement process:

Canada also submits that although the *SCM Agreement* disciplines trade distorting subsidies, the prospective nature of the dispute settlement remedies means that – in the absence of matching – illegal subsidies will have a perpetual advantage... In any event, even if the WTO dispute settlement mechanisms does only provide for prospective remedies, we note that it does so in respect of all cases, and not only those involving prohibited export subsidies. Article 23.1 of the DSU provides that Members shall resolve all disputes through the multilateral dispute system to the exclusion of unilateral self-help. Thus, to the extent that the WTO dispute settlement system only provides for prospective remedies, that is clearly the result of a policy choice by the WTO Membership. Given this policy choice, and given the fact that Article 23.1 of the DSU applies to all disputes including those involving (alleged) prohibited export subsidies, we see no reason why the (allegedly) prospective nature of WTO dispute settlement remedies should impact upon our interpretation of the second paragraph of item (k).

Canada has resorted to a self-help remedy by unilaterally matching what it considered to be a Brazilian offer of prohibited export subsidies. By doing so, Canada no longer enjoys a moral high ground before the WTO in this dispute and the resort to a self-help remedy may well be seen as a more egregious breach of its international obligations than the continuance of the *PROEX* program by Brazil. The WTO Dispute Settlement mechanism is designed to prevent such unilateral action, requiring parties to resort to the WTO to determine the level of retaliation to be imposed or to seek approval of the measures to be suspended.¹⁴³ This provision was established specifically to prevent the United States from unilateral trade action through its Section 301 trade remedy.

While the Air Wisconsin subsidies were the main issue in the *Canada-Export Credits* panel report, a number of other claims were made by Brazil. These claims

139. In *PROEX III*, Canada, the United States and the European Union argued that utilization of the matching provisions should be accorded “safe haven” status under the *WTO SCM Agreement*. *PROEX III*, *op cit. supra*, note 119, para 5.110 at 32-3

140. A “permitted exception” is “an action itself foreseen and permitted within limits by the *Arrangement*, while a derogation is “an action itself not permitted under any circumstances by the *Arrangement*.” *Canada-Export Credits*, *op cit. supra*, Note 15, at 7.164. *PROEX III*, *op cit. supra*, note 119, para 5.109, at 32

141. Members of the *OECD Arrangement* are required to disclose the terms of the financing that they are offering to the other members. *Canada-Export Credits*, *op cit. supra*, Note 15 at 7.164; *PROEX III*, *op cit. supra*, Note 119, at 5.109 at 32.

142. *Ibid.*, para 5.115 at 34

143. *WTO DSM Agreement*, Article 23.2 of the said agreement provides that:

In such cases, Members shall: ...

(c) follow the procedures set forth in Section 22 of the Understanding to determine the level of suspension of concessions or other obligations and obtain DS authorization in accordance with those procedures before suspending concessions or other obligations under the covered agreements in response to the failure of the Member concerned to implement the recommendations and rulings within that reasonable period of time.

included the allegation that the EDC Corporate Account and Investissement Québec constituted prohibited export subsidies "as such".¹⁴⁴ The panel rejected the allegation that these programs were prohibited "as such," on the basis that Brazil had failed to identify any provision demonstrating that the programmes mandate the extension of prohibited subsidies.¹⁴⁵ Brazil also challenged twelve specific transactions in which EDC financing was provided. In each case, the panel compared the financial terms offered to the evidence of commercial terms otherwise available. The panel upheld Brazil's claims that four transactions involved prohibited export subsidies,¹⁴⁶ rejecting the balance of the allegations.¹⁴⁷ The *Canada-Export Credits* panel determined that Canada is required to withdraw the subsidies within 90 days,¹⁴⁸ subject to Canada's right of appeal.

(c) *Observations that should be made by the participants on February 8th*

It is clear from the history of the dispute that both Canada and Brazil intend to continue offering financial support to their respective national champions. Politically, they have little alternative given the symbolic importance of Bombardier and Embraer and their importance in supporting clusters of high technology industries. Both nations are required to withdraw prohibited export subsidies and this appears to require the withdrawal of financial assistance expected to be provided pursuant to contracts that have already been signed. The amounts involved are equally balanced, with Brazil required to withdraw \$2.065 billion in subsidies and Canada required to withdraw as much as \$1.7 billion.¹⁴⁹ It is also apparent that any complaint will have to be made against specific transactions and not the programs *per se*. The outcome will depend on whether the particular support is compliant with the *OECD Arrangement*, which establishes specific rules¹⁵⁰ intended to place "limitations on the terms and conditions of export credits that benefit from official support."¹⁵¹ It should be in the interest of both nations to limit a debilitating competition of national treasuries that can only benefit the customer airlines.

144. *Canada-Export Credits*, *op. cit.*, *supra*, note 15, para 8.1 at 92.

145. *Ibid.*, *Canada Account*, at 7.77; EDC Services, 7.110; Investissement Québec at 7.126.

146. *Ibid.*, at 8.1:

"(f) uphold Brazil's claim that the EDC Canada Account financing to Air Nostrum constitutes a prohibited export subsidy contrary to Article 3.1(a) of the SCM Agreement;

(g) uphold Brazil's claim that the EDC Corporate Account financing to Comair in July 1996, August 1997 and February 1999 constitutes a prohibited export subsidy contrary to Article 3.1(a) of the SCM Agreement";

147. *Ibid.*, at 8.1:

"(h) reject Brazil's claim that the EDC Corporate Account financing to ASA, ACA, Kendell Air Nostrum and Comair in December 1996, March 1997 and March 1998 constitutes a prohibited export subsidy contrary to Article 3.1(a) of the SCM Agreement;

(i) reject Brazil's claim that IQ equity guarantees to ACA, Air Littoral, Midway, Mesa Air group, Air Nostrum and Air Wisconsin constitute prohibited export subsidies contrary to Article 3.1(a) of the SCM Agreement; and

(j) reject Brazil's claim that IQ loan guarantees to Mesa Air Group and Air Wisconsin constitute prohibited export subsidies contrary to Article 3.1(a) of the SCM Agreement."

148. *Ibid.*, at para 8.4

149. *Pettigrew may allow Brazil's Plane Subsidies*, Financial Post, January 29th, 2002, FP4. This figure does not include any calculation of subsidies that were extended to Northwest Airlines in July 2001.

150. Some of these rules include: Art 15 – Minimum Interest Rates; Art 16 – Construction of CIRR; Art. 17 – Application of CIRR; Art 18 – Cosmetic Interest Rates; and Article 19 – Official Support for Cosmetic Interest Rates; Art 22: minimum interest rates with respect to all new aircraft except large aircraft, along with spare engines spare parts, maintenance and service contracts with respect to those aircraft, and Art 28(b) covers minimum interest rates with respect to used aircraft. *Canada –Measures Affecting the Export of Civilian Aircraft, Recourse by Brazil to Article 21.5 of the DSU*, WT/DS70/RW, May 9th, 2000, at 5.83, at 24.

The history of this dispute and the number of specific transactions reviewed indicates that it is appropriate to consider an adjudicatory model to determine compliance with the *OECD Arrangement*. Canada has already suggested in both disputes that the WTO panels establish verification procedures in respect of future arrangements to bring any subsidies into compliance with the WTO SCM Agreement. The suggestion was rejected by the panel.

Canada asks only that the Panel endorse the establishment of such verification procedures, and is not proposing an ongoing role for the Panel should a verification process be established. Brazil does not, in principle, oppose the establishment of such verification procedures, but considers that they are not compatible with the spirit, if not the letter, of Article 19 of the DSU. Brazil believes that such procedures are better agreed to by the parties in the course of bilateral consultations.

We note that by virtue of Article 19.1 of the DSU, the Panel “may suggest ways in which the Member concerned could implement the recommendations.” In our view, Article 19.1 envisions suggestions regarding what could be done to a measure to bring it into conformity... It does not address the issue of surveillance of those steps. For that reason, we decline to make the suggestion requested by Canada.¹⁵²

The Panel hastened to add that “this does not mean that the Panel in any way discourages agreements between WTO Members that may facilitate transparency with regard to the implementation of WTO obligations.”¹⁵³ Any mechanism to establish verification procedures or to implement them on an on-going basis through an adjudicatory process must be established by the parties through negotiation.

IV. THE ALTERNATIVES TO SETTLE OR CONTINUE THE DISPUTE

It is unclear the degree to which both parties have the political will to resolve their disputes particularly if this requires the negotiation and adherence to new rules in addition to those included in the *OECD Arrangement*. Canada claims that it simply wants Brazil to adhere to the *OECD Arrangement*.¹⁵⁴ Brazil has taken the position before the WTO panel that verification procedures should be negotiated by the parties and Embraer officials have recently complained about a lack of disclosure by Canada of the details of its support programs.¹⁵⁵ These positions would appear to provide an agenda for resolution, and there appears to be at least three possible outcomes that could result from the negotiations that will begin on February 8, in New York:

151. *Canada – Measures Affecting the Export of Civilian Aircraft, Recourse by Brazil to Article 21.5 of the DSU*, WT/DS70/RW, May 9th, 2000, at 5.82, at 24. In short, it is to set a limit on the “most generous repayment terms and conditions that may be supported,” and thus to restrict debilitating subsidy competitions.

152. *Ibid.*, at para 6.1, at 43

153. *Ibid.*, Footnote 135 at 43

154. The Minister for International Trade identified these terms as the basis for a resolution of the case in a press release issued at the time the PROEX III decision was released including: limitations on the rate of interest, such that it is no lower than the Commercial Interest Reference Rate (CIRR); restrictions on the duration such that any financing does not exceed 10 years or 85 percent of the value of the transaction; and that the interest rate should include a risk premium commensurate with the credit worthiness of a particular airline. *Canada Wins Fifth WTO Ruling In Aircraft Dispute*, bulletins@dfait-maeci.gc.ca, “Trade News Release” itnews@listserv.dfait-maeci.gc.ca

155. “Ottawa can’t be trusted in jet talks: Embraer executive”, Financial Post, Jan 24 2002, at FP5

- (a) a policy of forbearance by which Canada and Brazil refrain from retaliation and implement an institutional solution that adjudicates allegations of improper subsidization on an expedited basis;
- (b) Canada and Brazil enter into an unrestricted bidding war for each new contract; or
- (c) Canada and Brazil impose retaliatory, punitive tariffs on one another.

(a) *FORBEARANCE & AN EXPEDITED ARBITRAL MECHANISM*

Generally, retaliation has been ineffective in achieving compliance with WTO panel reports requiring the withdrawal of the impugned measure, particularly in circumstances where entrenched political interests support non-compliance. Retaliation is even less effective when the two protagonists involved have a limited amount of bilateral trade. It is one thing for the United States to engage in threats of retaliation; it is quite another when Canada is issuing threats in the context of a relatively modest level of bilateral trade. Retaliation can be more symbolic in nature than a serious penalty intended to cause the respondent to modify its behaviour. The application of punitive tariffs might satisfy domestic trade interests calling for some form of retaliation, even though they will have little impact in terms of forcing a change to the respondent's trade policy.

An effective resolution of the dispute would be to forbear from retaliating in favour of the introduction of an arbitral mechanism that could determine the consistency of the financing terms being offered with the provisions of the *OECD Arrangement*, before the awarding of the contract competition. The question arises whether there would be sufficient time to choose an arbitral tribunal and for it to issue a determination before the end of the contract competition. Canada claims that it learned of the terms being offered by Brazil to Air Wisconsin in October, 2000,¹⁵⁶ decided to "match" the offer in January, 2001, and the panel report states that the support was "offered" on May 10, 2001.¹⁵⁷ This provides a period of eight months in which an arbitration could be completed. An expedited procedure will have to be developed including: the selection of arbitrators from a standing list; production of documents and interrogatories (probably written); and a limited oral hearing.

Care will have to be taken in the rules regarding production of documents, due to the time available and the complaints that Embraer officials have made with respect to disclosure regarding Canadian programs. It is unlikely that either nation will allow the arbitral panel to order production of documents that might be subject to cabinet or other government privilege. The failure to produce documents – whether subject to a claimed privilege or otherwise – may be dealt with by allowing the panel the discretion to draw an adverse inference in appropriate circumstances. It will also be important to establish protective orders for confidential and commercially-sensitive business information. There is substantial experience dealing with these issues in the form of the Administrative Protective Orders that can be obtained in trade cases, such as in the Softwood Lumber IV case now before the United States' Department of Commerce and International Trade Commission.

156. *Canada-Export Credits*, *op cit.*, *supra*, note 15, at para 7.155, at 38

157. *Ibid.*, at para 7.137 at 35

With respect to substantive issues, the evidence required for the determination of whether the specific financing terms constitute a prohibited export subsidy, should be available. The WTO places the burden of proof initially on the complainant which must establish a *prima facie* case of inconsistency.¹⁵⁸ The complainant, therefore, should be required to establish that a financial contribution has been offered that is contingent upon export performance and contravenes the OECD Arrangement. The onus of proof might then shift to the respondent to demonstrate that the offer of financial terms is no more favourable than those that are commercially available. This should impose no hardship on the respondent, who will be encouraged to carefully analyze what terms are commercially available at the time the offer is prepared, and to have that information readily available should a challenge be made.

The parties will likely have to develop this arbitration mechanism independent of the World Trade Organization, as the WTO panels declined Canada's invitation to establish verification procedures, let alone to play an ongoing supervisory role. The question arises whether the parties should utilize one of the existing arbitral conventions and the procedural rules established thereunder or to develop a completely unique and separate mechanism crafted specifically for this dispute. Canada has agreed in NAFTA and other trade agreements¹⁵⁹ that each party should promote private commercial arbitration through the adoption of "the 1958 *United Nations Convention on the Recognition and Enforcement of Foreign Arbitral Awards* ("New York Convention") or the 1975 *Inter-American Convention on International Commercial Arbitration* ("Inter-American Convention"). Canada has signed the New York Convention while Brazil has signed the Inter-American Convention.

While the parties should agree that the decision is binding upon them, the need to adopt an existing Convention will depend in large part on the method of enforcement. If the arbitral panel will have the power to issue an injunction preventing the offering of the financial terms in question, the adoption of an existing convention will be helpful due to the rules included therein regarding the adoption and enforcement of arbitral decisions.¹⁶⁰ It is unlikely that the parties will agree to enforcement through the domestic courts and so there is no reason why an independent procedure cannot be crafted, based on the existing conventions as procedural models.¹⁶¹

It is possible that the parties will agree only that the result would be enforceable through the WTO Dispute Settlement mechanism relying on moral suasion. While this would be disappointing, it would still represent an improvement, as the

158. *Canada-Measures Affecting the Export of Civilian Aircraft, Recourse by Brazil to Article 21.5 of the DSU*, WT/DS70RW, May 9th, 2000, at para 5.13-14, at 7

159. NAFTA (Article 2022), the *Canada-Chile FTA* (Article N-21), and the *Canada-Costa Rica FTA* (Article XIII.21) provide that each Party should "encourage and facilitate the use of arbitration and other means of alternative dispute resolution for the settlement of international commercial disputes between private parties in the free trade area." Each Party can do so if it is a member of "the 1958 *United Nations Convention on the Recognition and Enforcement of Foreign Arbitral Awards* or the 1975 *Inter-American Convention on International Commercial Arbitration*."

160. *The Inter-American Convention* O.A.T.S. No. 42, 14 I.L.M. 336 (1975). Article 4 provides that an arbitral decision may be ordered in the same manner as that of decisions handed down by national or foreign ordinary courts. Article 5(1) and 5(2) provide that enforcement may be refused only if: (a) parties were subject to some incapacity; (b), responding party had no notice of the arbitration procedure or the appointment of the arbitrator; (c), decision concerns a dispute not envisaged in the agreement; (d) the correct procedure wasn't followed.

161. Article 5(2) provides that enforcement may be denied by a domestic court if (a), the subject of the arbitration cannot be settled by arbitration under the law of that State; or, (b), recognition or enforcement would be contrary to public policy. It is possible that limits may exist on the degree to which Brazilian courts can limit Brazilian government action in terms of issuing support for its industries. As a result, the adoption of the Inter-American Convention in the circumstances of this dispute would be pointless.

decision may well help Brazil and Canada answer the domestic constituencies supporting the extension of prohibited export subsidies. Although clearly imperfect, the advantage of a policy of forbearance and, if necessary, reliance on moral suasion, is that it capitalizes on what appears to be the effective element that has resulted in compliance – the pressure applied by the *WTO Dispute Settlement Body* itself.

The *WTO DSM Agreement* represents a substantial improvement over the GATT 1947, with the introduction of the appellate body as well as automatic adoption of panel reports. An attempt has also been made to make enforcement more automatic.¹⁶² With respect to remedies, the *WTO Dispute Settlement Mechanism* states that its first objective is to “secure the withdrawal of the measures concerned if these are found to be inconsistent with the provisions of any covered agreement.”¹⁶³ The “last resort” in terms of remedies “is the possibility of suspending the application of concessions or other obligations under the covered agreements on a discriminatory basis vis-à-vis the other Member, subject to authorization by the [Panel] of such measures.”¹⁶⁴ As a result, approval is required and it must be consistent with the WTO-covered agreements, and this requirement is imposed even if the parties negotiate a mutually acceptable settlement of the dispute.

The question arises as to the effectiveness of these provisions in achieving compliance in circumstances where a WTO Panel or Appellate Body report has been adopted confirming a violation. Table III¹⁶⁵ provides a summary of the panel proceedings that have been commenced since the inception of the WTO in 1995, as recorded in the dispute settlement section of its annual reports, Appendix III. It indicates the following results:

**TABLE THREE:
WTO DISPUTE SETTLEMENT SUMMARY**

NUMBER OF PROCEEDINGS	PANEL REPORTS	APPELLATE REPORTS	ARTICLE 21.5 ARBITRATION	ARTICLE 22.6 ARBITRATION
84	47	30	10	6

As indicated above, an Article 21.5 arbitration involves a determination whether the proposed measures are consistent with a covered agreement, while an Article 22.6 arbitration involves a determination as to the level of suspension proposed. With fifty panel reports and thirty appellate body reports issued, only ten have reached the first stage of the arbitral process established for the imposition of

162. Following a panel determination that a measure is inconsistent with obligations under a WTO-covered agreement, the respondent is required to report to a Dispute Settlement Body meeting held within 30 days after the adoption of the panel or appellate report as to its intentions with respect to the implementation of the panel recommendations and rulings. *WTO Understanding on Dispute Settlement*, Article 21.3. The respondent will be given a “reasonable time” to implement changes the duration of which will be determined through binding arbitration within 90 days if the parties cannot otherwise agree. Arbitration is also available under Article 21.5 should the parties disagree “as to the existence or consistency with a covered agreement of measures taken to comply.”

163. *WTO Understanding on Dispute Settlement*, Article 3.7.

164. *Ibid.* Article 22.6 provides that the WTO Dispute Settlement Body shall authorize the requested suspension within thirty days of the expiry of the “reasonable period of time unless the DSB decides by consensus to reject the request.” Arbitration is available if the respondent objects to the level of suspension proposed and it will be completed by the original panel within sixty days. The arbitrator’s authority is limited to the question whether the level of such suspension is equivalent to the level of nullification or impairment or whether the principles and procedures have been applied. The arbitrator “shall not examine the nature of the concessions or other obligations to be suspended.” No right of appeal is allowed. Article 21.6.

165. This analysis is current to September 1, 2002. It is currently being updated and will be available shortly.

retaliation.¹⁶⁶ Only six cases have reached the stage of an Article 22.6 arbitration and the status of these cases is summarized in the following table:

TABLE FOUR: ARTICLE 22.6 PANEL ANALYSIS

<i>Case</i>	<i>Complainant</i>	<i>Date of 22.6 Report</i>	<i>Amount Authorized</i>	<i>Current Status</i>
E.U Bananas ¹⁶⁷	United States	April 9/99	\$191.4 Mill U.S.	100% tariffs since 1999 on \$190 mill U.S. Trade dispute resolved by Agreement dated April 13th, 2001. ¹⁶⁸ Retaliation to be suspended if a licensing system was introduced by July 1st, 2001. 100,000 additional tons of "C" quota transferred to Caribbean nations effectively to the benefit of U.S. banana producers.
E.U. Meat ¹⁶⁹	United States	July 1999	\$116.8 Mill U.S.	100% tariffs since 1999 on \$117 Mill E.U. So far not effective in forcing compliance to date. Negotiations continue with U.S. meat producers asking for expanded access to the EU beef market for 12 years for hormone-free beef, while EU offering a four to five year period. ¹⁷⁰
E.U. Meat ¹⁷¹	Canada	July 12/99	\$11.3 Mill Cdn	100% tariffs since August 1st, 1999. ¹⁷² The products affected are all in the meat sector (beef and pork), except for cucumbers and gherkins. So far not effective in forcing compliance.

<i>Case</i>	<i>Complainant</i>	<i>Date of 22.6 Report</i>	<i>Amount Authorized</i>	<i>Current Status</i>
Australia – Salmon	Canada			July 1999, Commenced retaliation proceedings but it was suspended pending a compliance review. ¹⁷³
Brazil/ Aircraft ¹⁷⁴	Canada	Aug 28/00	\$344.2 Mill Cdn	No implementation. De facto retaliation of matching PROEX export subsidies.
Canada-Milk ¹⁷⁵	New Zealand, U.S.			A 22.6 panel appointed March 1st, 2001, pending a compliance review. Retaliation suspended during interim period. The earliest that retaliation could be commenced is early 2002. ¹⁷⁶

Retaliation has been imposed in three cases (*EU-Bananas*, *EU/US-Meat*, *EU/Can-Meat*), quantified in *Brazil-Aircraft* and is a serious possibility in the *Canada-Milk* case. The *Australia-Salmon* case has been included but its current status is uncertain and appears to be held in abeyance. It is unclear what role retaliation played in the resolution of the *E.U.-Bananas* dispute. Punitive tariffs were imposed for a period of two years before a settlement agreement was negotiated. It is difficult to determine whether the tariffs applied significant pressure that helped result in the settlement agreement. However, it is notable that the duration of the tariffs was quite lengthy, suggesting that the tariffs were not the most important factor.¹⁷⁷

166. Some of these panel reports may be subject to appellate review and have simply not reached the point where an Article 21.5 arbitration can be commenced.

167. E.U. - Regime for the Importation, Sale and Distribution of Bananas (WT/DS 27), April 9th, 1999

168. Text: *U.S.-EU Banana Agreement* April 13, 2001 Inside US Trade, <http://www.insidetrade.com>. Agreement that by Jan 1, 2006, a "tariff only" regime will be introduced.

169. *EU- Measures Concerning Meat and Meat Products*, (WT/DS26/ARB 12, July 1999

170. *EU REJECTS US BEEF INDUSTRY CALL FOR 12-YEAR EXPANDED QUOTA*, June 22, 2001, Inside US Trade, www.insidetrade.com

171. *EU - Measures concerning Meat and Meat Products* (WT/DS 48) 12 July 1999

172. *Canada Retaliates Against the EU*, DFAIT News Release, July 29, 1999, No 174

http://198.103.104.118/minpub/publication.asp?FileSpec=/Min_Pub_Docs/102518.htm

173. *EU Approaches U.S. About Low-Key Handling Of FSC Dispute*, Inside U.S. Trade, September 15, 2000

174. *Brazil - Export Financing Programme for Aircraft* (WT/DS 46)

175. *Canada - Measures Affecting the Importation of Milk and the Exportation of Dairy Products*

176. *DFAIT Summary of WTO Cases to which Canada is a Party*,

http://www.dfait-maeci.gc.ca/tna-nac/dairy_update-may01-e.asp

177. A recent joint declaration of the E.U. and the U.S. suggests that retaliation may not have been as important as the pressure applied by the on-going surveillance of the WTO DSU mechanism. Text Excerpt from the Declaration of the U.S.-E.U. Summit I Goteborg, Sweden, June 15, 2001, Inside U.S. Trade, www.insidetrade.com

The measure of retaliation taken by the United States in the *E.U.-Meat* dispute and retaliation has proved ineffective in achieving compliance. This appears to be a more intractable dispute, due to the collision of a WTO determination with European agricultural interests. It suggests that a political decision has been made within the European Community that the cost of retaliation is more palatable than effecting immediate and unacceptable changes to its agricultural program. The cost of retaliation provides the time necessary to work out an acceptable compromise.

The effectiveness of retaliation, however, may well prove itself in a separate case, *United States – Tax Treatment for “Foreign Sales Corporations”*.¹⁷⁸ The dispute involves tax advantages given to American corporations under the Internal Revenue Code relating to extraterritorial income through special purpose corporations. Such treatment was earlier ruled to contravene the *WTO SCM Agreement* as a prohibited export subsidy and that changes to the program did not bring it into compliance.¹⁷⁹ The appeal of the continuing non-compliance decision was released on January 14, 2002, upholding the panel determination. The European Union is seeking authorization to impose retaliatory tariffs of \$4 billion U.S.. The United States will challenge the level of retaliation and the panel should be appointed by March 28. As a result, the European Union may be in a position to impose retaliation by late summer.¹⁸⁰ It has been reported earlier that the United States Congress is reluctant to make substantive changes to the program notwithstanding the threat of retaliation.¹⁸¹ This dispute may well become a litmus test of the effectiveness of the remedy of retaliation, simply due to the amounts at issue when balanced against a Congressional reluctance to effect changes. Of course, if the prospect of retaliation does provide an incentive leading the United States’ Congress to make the required changes, it may say more about the effectiveness of retaliation in the context of an immense bilateral trade relationship, than it does in circumstances where the amount of bilateral trade is extremely limited.

The result confirms that arbitration has been used relatively rarely to achieve compliance. The major factor is more likely related to the international opprobrium associated with continued non-compliance with a WTO panel/appellate report determination that the respondent is in breach of its obligations. Where retaliation has been imposed, the result has been ambivalent in achieving the result desired, with the elapse of time in the *E.U.-Bananas* case suggesting that retaliation during the course of negotiations may have been seen simply as the cost of doing business. Any continuing pressure on the respondent to comply would appear to arise from the periodic review by the WTO Dispute Settlement Body.

In the circumstances of the *Aircraft from Brazil/Canada* dispute, we suggest that the parties should agree to forbear from retaliation. The parties should agree to ignore the prohibited export subsidies that both nations have been directed to remove. The introduction of a binding and enforceable expedited arbitral mechanism, could determine whether a particular offer of government financing is consistent with the *WTO SCM Agreement* and the *OECD Arrangement*. The result should be binding upon the parties and enforceable. The adoption of an arbitral

178. *United States – Tax Treatment for “Foreign Sales Corporations”*, WT/DS108/RW 20, August 2001, Recourse to Article 21.5 of the DSU by the European Communities. <http://www.wto.org/disputes>.

179. *Ibid.*, at para 1.1

180. *U.S. Lawyers Praise Reasoning of WTO Tax Ruling But Impact Unclear*, Inside U.S. Trade, January 18, 2002

181. *Zoellick signals FSC Solution may be Tied to WTO Round Launch*, Inside U.S. Trade, July 27, 2001, 1-2

procedure would still be an improvement even if the determination resulting therefrom can only be enforced by agreement that the determination will be adopted by the WTO Dispute Settlement Body in the ordinary course and subject to WTO surveillance.

(b) AN UNRESTRICTED SUBSIDIES COMPETITION

The second possible outcome after negotiations break down, is that both parties engage in an unrestricted subsidies with scant regard for the *OECD Arrangement*. The parties in effect engage in a “war of the treasuries” with little intention to comply with the outstanding panel directions to remove existing/future subsidies. A “subsidies war” represents a transfer of wealth from the “winner” of the contract to the airline customer.

Support for the adoption of this strategy may be found in “game theory”. A strategy of matching subsidies is an iterative prisoner’s dilemma, which provides an opportunity to condition the other party to enter into cooperative strategies. Each new contract competition is an iteration of this “two-party” game. It has the potential to place the greatest degree of pressure on Brazil/Canada, because it places Embraer/Bombardier exports at risk, and thus challenges the key constituency within Brazil/Canada supporting non-compliance.

The structure of an export subsidy competition requires the development of a payoff matrix such that two nations have various rewards depending on whether they cooperate or defect in an attempt to achieve a superior payoff. “Each country has access to an interventionist policy that is in its national interests but reduces the welfare of the other country. Cooperating means refraining from using the policy; defecting means adopting the policy.”¹⁸² This structure is the classic “prisoner’s dilemma”, in which cooperation is the best mutual outcome but non-communication or suspicion leads both nations to engage in non-cooperative strategies to avoid the worst-case scenario. The *WTO SCM Agreement* and the *OECD Arrangement* can be seen as attempts to limit such competitions and to achieve the superior outcome by prohibiting export subsidies except in limited circumstances.¹⁸³ However, this competition is not a true prisoner’s dilemma:

A major problem with the theory of the prisoner’s dilemma... is that it’s restricted to the case of once and for all strategy choices. In reality, a decision to use subsidies... is not irrevocable and will usually be reviewed at regular intervals. In effect, the prisoner’s dilemma game is repeated

182. An example of a payoff matrix is as follows:

	Country B	
	Cooperate	Defect
Country A	400, 400	50, 500
	500, 50	100, 100

If both nations cooperate, they each obtain a payoff of 400 units. If one defects while the other cooperates, the former increases its reward to 500 if the other nation continues to cooperate and reduces its payoff by 350 to 50 units. If both defect, each reduces its payoff by 300 to 100 units. James A. Brander, *Rationales for Strategic Trade and Industrial Policy*, published in Paul R. Krugman, *Strategic Trade Policy and the New International Economics*, Massachusetts Institute of Technology, 1995, 23 at 37. Alan O. Sykes, *Constructive Unilateral Threats in International Commercial Relations: The Limited Case for Section 301*, 23 *Law & Policy in International Business*, 263, 272-5 (1991-2)

183. *Canada-Measures Affecting the Export of Civilian Aircraft, Recourse by Brazil to Article 21.5 of the DSU*, WT/DS70/RW, May 9th, 2000, at para 5.82, at 24

indefinitely. Repetitions of the decisions make the game much more complicated in that relatively complex strategies become possible.¹⁸⁴

Experiments have suggested that one should cooperate if the rival cooperates and quickly punish non-cooperative behaviour, in order to condition the rival to cooperate.¹⁸⁵

The challenge in justifying the export subsidy competition in practice as a prisoner's dilemma, is the need to develop a meaningful payoff matrix. This involves a complex evaluation of the expected political and economic impact of sanctions in both countries.¹⁸⁶ The analysis in these circumstances becomes highly case-specific and involves a broad range of questions relating to the relative economic and political costs imposed by sender (Canada/Brazil) and receiver (Brazil/Canada). The political costs are the most difficult to model because of the degree of subjectivity and dynamism involved. How robust is support for matching subsidies if the underlying theory upon which it relies is relatively fragile?

Game theory is too simplistic for modeling the impact that retaliation may have in this dispute due in part to its adoption of various simplifying assumptions. Graham T. Allison¹⁸⁷ highlights these assumptions in developing the "rational actor" model that is often used as a paradigm to explain government strategy in international disputes. Allison indicates that this model underlies both game theory and neoclassical economics.

Classical 'economic man' and the rational man of modern statistical decision theory and game theory make optimal choices in narrowly constrained, neatly defined situations. In these situations rationality refers to an essentially Hobbesian notion of consistent value-maximizing reckoning or adaptation within specified constraints. In economics, to choose rationally is to elect the most efficient alternative, that is, the alternative that maximizes output for a given input or minimizes input for a given output.¹⁸⁸

184. *Ibid.*, at 39 The competition between Embraer and Bombardier may have an additional degree of complication. The competition described above appears to involve each competitor having one chance to select its strategy without an opportunity to change its selection before the outcome is determined. It is quite possible that market "intelligence" might allow one party to learn what subsidy package the other party has chosen and to adjust its strategy before the outcome is determined. The question then arises whether the other party has a similar opportunity to respond or the inclination to do so.

185. *Ibid.*, at 41. One well-known experiment was conducted by Robert Axelrod of the University of Michigan. He invited game theorists from several countries to submit strategies for an iterative prisoner's dilemma. The winning strategy was submitted by U of T's Anatol Rapoport that was a "tit for tat" strategy and was the simplest solution that had been submitted. *Ibid.*, at 40

186. The economic impact of the retaliation will depend on the size of the economies involved, the degree of bilateral trade between the two nations and the composition of this trade and its relative importance. The higher the ratio of the share of the complainant's GNP that is accounted for by the respondent's exports, the higher the odds of a successful outcome. The balance of trade is also important as the greater the trade surplus enjoyed by the respondent nation in bilateral trade with the complainant nation, the greater the influence that the complainant should have. The impact will depend on the ability of the industries targeted to adjust to the punitive tariffs, or to find alternative markets for those goods should a denial of access to the complainant's market occur. *Ibid.*, 270-1. This is illustrated in part by the "gravity model" of trade that predicts that the amount of trade between two countries will be positively related to the product of their outputs (a measure of size or mass), and negatively related to the distance between them. This model has been utilized to explain trade patterns since the 1960s, as well as to evaluate the effectiveness of sanctions. Gary Clyde Hufbauer, Kimberly Ann Elliott, Tess Cyrus, Elizabeth Winston, *U.S. Economic Impact on Trade, Jobs and Wages*, Institute for International Economics, 1997, <http://www.lee.com/CATALOG/WP/1997/SANCTION/SANCTIONWP.HTM>

187. Graham T. Allison, *Essence of Decision, Explaining the Cuban Missile Crisis*, 1971, Little, Brown and Company, Boston

188. *Ibid.*, at 29

In this model, government decision-making takes place in a “black box” that hides any internal organizational or political processes that are involved. Government action is viewed as the choice of an action with full knowledge of the options available, made on the basis of the alternative that maximizes the nation’s strategic goals. The model assumes “comprehensive rationality” involving “powers of prescience and capacities for computation resembling those we usually attribute to God.”¹⁸⁹ Influencing government action is simply a question of manipulating the costs or benefits of a particular alternative to make it the rational choice.

A more complex “organizational process” model postulates that there are numerous actors within government such that “its acts are not those of a unitary, rational, perfectly informed entrepreneur but of an organization.”¹⁹⁰ Each decision is contributed to by several organizations in a manner that fractionalizes and distributes power. Government leaders coordinate the exercise of this power and can substantially disturb, but not control, the outcome.¹⁹¹ Each organization has its own fixed set of standard operating procedures that take over when the organization is engaged.¹⁹² These procedures limit the range of effective choice open to government leaders when confronted with a problem, thus representing constraints on government action.¹⁹³ Instead of “comprehensive rationality”, the model assumes “bounded rationality” that recognizes the physical and psychological limits of a government’s ability to understand its alternatives and to make the optimal decision.¹⁹⁴

Allison presents a third model that recognizes the political processes included in government decision-making instead of its organizational aspects. Each central player is involved in a bargaining process that defines the constraints with which the decision must be made.

In this [political] process, sometimes one group committed to a course of action triumphs over other groups fighting for other alternatives. Equally often, however, different groups pulling in different directions produce a result, or better a resultant – a mixture of conflicting preferences and unequal power of various individuals – distinct from what any person or group intended.¹⁹⁵

Decision-making power is shared because participants have independent power bases, with different political actors in the ascendancy at different points in time, dependent on a host of opaque factors. Regular channels – both formal and informal – structure the bargaining process. Government action is seen as an agglomeration or collage of relatively independent decisions and actions in a variety of bargaining processes, with the outcome representing a combination of the preferences and relative influence of central players or subsets of players.¹⁹⁶

189. *Ibid.*, at 71

190. *Ibid.*, at 37, 74

191. *Ibid.*, at 67

192. *Ibid.*, at 68

193. *Ibid.*, at 79

194. *Ibid.*, at 71

195. *Ibid.*, at 145

196. *Ibid.*, at 164

Allison does not select among these three models, but indicates that each represents a paradigm that illustrates various factors that must be understood to explain government actors in a particular international dispute. What may appear at first to be an illogical response based on a stark evaluation of the implications of the alternatives, may be quite rational given the organization and political aspects of the decision in question. A combination of the three models provides an insight that suggests that the adoption of game theory alone to determine whether Canada/Brazil should retaliate, oversimplifies the analysis that is necessary, given the complex organizational issues and political processes within Brazil/Canada. It is a mistake to assume that the government is a single rational actor that is strictly motivated by economic incentives. Predicting the effect that retaliation will have must take into account the multi-faceted nature of government decision-making practices that inject a significant measure of uncertainty into the response.

A brief review of the nature of Brazilian democratic institutions give an inkling of the complexities of the political actors, groups and processes that will determine the response should Canada decide to retaliate. Brazil's return to democracy may still be fragile and in need of encouragement and support. By the end of military rule in 1985, Brazil was described as a divided Leviathan, with the executive playing the major role in the state, but its effect weakened by competition between powerful state agencies with overlapping authority. The state agencies often established "innumerable links to business groups, both through associational and personalistic channels, or 'bureaucratic rings.'"¹⁹⁷ Clientelistic politicians were reported to have penetrated the public agencies, having cronies appointed to important administrative positions through patronage. "This clientelistic interference made the politically appointed public officials indebted to and dependent upon non-state actors and thus weakened the bureaucratic hierarchy and undermined the internal cohesion of the state apparatus."¹⁹⁸

In the post-1985 period, Brazil's return to democracy was under significant pressure from this entrenched system of patronage. Brazil's new constitution, adopted in 1988, settled on a presidential system, in which decision-making power was concentrated in the hands of the president. Executive power was augmented by a relatively weak Congress that was hamstrung by factionalism.¹⁹⁹ Clientelistic conflicts came to pervade the entire state apparatus, such that politicians negotiated the division of the "spoils", to ameliorate the buildup in tensions between rival groups.²⁰⁰ This formative period of Brazilian return to democracy was marked by a "considerable waste of resources", causing a dramatic increase in expenditures. It contributed in no small way to Brazil's slide into a deep fiscal crisis in the late 1980s "marked especially by skyrocketing inflation rates of 981 percent in 1988 and 1,973 percent in 1989."²⁰¹

The election of President Collor in late 1989, marked a new point of departure in an attempt to limit clientelism but perversely, increased presidential corruption to unprecedented levels. The Collor Administration did not consult after the

197. Kurt Weyland, *The Brazilian State in the New Democracy*, published in *Democratic Brazil, Actors, Institutions and Processes*, Peter R. Kingstone and Timothy J. Power, eds., 2000, at 38

198. *Ibid.*

199. *Ibid.* at 39. Congressional weakness was such that seventy-five percent of the legislative agenda emanated from the executive branch.

200. *Ibid.*, at 40

201. *Ibid.*, at 40-2

election with the most powerful business associations when instituting a stabilization plan in March 1990.²⁰² The Administration cut many bureaucratic rings and ignored existing interest groups. This caused rent-seekers within the business community to establish influence with the Administration in other ways, allowing Collor's former campaign manager to allegedly increase "the going rate of bribes to 40-50 percent of the value of public works contracts."²⁰³ This led to Collor's impeachment in 1992, when the failure of his stabilization plan weakened his position and permitted clientelistic politicians and interest groups to appropriate public funding in exchange for quelling their growing opposition to the Administration policies.

The interim Franco Administration from 1992-4, lasting the balance of Collor's presidency, was hamstrung by the lack of a political mandate. His attempts to strengthen the state were frustrated by powerful political interests even though the Brazilian Constitution automatically came up for review due to a sunset review provision.²⁰⁴ His Administration is remarkable largely for the appointment of Fernando Henrique Cardoso as the Finance Minister, who implemented the Plano Real (Real Program) that drastically reduced inflation without the attendant constriction in GDP that occurred during the early 1990s.²⁰⁵ Cardoso was elected President on the strength of the success of the Plano Real, and took office in January 1995. A new era was ushered in, seeking reform by negotiation with interest groups, instead of attempting to bypass them:

Whereas Collor confronted – and antagonized – clientelistic politicians, rent-seeking interest groups, and powerful state governors, Cardoso has sought to bargain with them. Given the interest of these "veto players" in maintaining many aspects of the status quo, the progress of Cardoso's reform initiatives, especially in the area of state building, has been very slow and uneven. Although the Brazilian state is gradually regaining strength, for instance, through an increase in tax revenues, it is unlikely to achieve a high degree of autonomy from clientelistic politicians and business groups, who continue to have a strong influence on substantial parts of the public bureaucracy.²⁰⁶

Not surprisingly, business groups continue to have a significant influence on government policy. Their support for the stabilization programs is essential and has been achieved by providing payoffs, such as selective protection from foreign competition or the bailout of bankrupt firms, particularly in the banking sector. The Cardoso Administration is reported to have doled out considerable patronage to achieve support. These payoffs are reported to have accelerated with Cardoso's successful campaign to obtain a constitutional amendment permitting him to achieve re-election to a second term.²⁰⁷

In addition to tarnishing the "modern," clean image of the Cardoso government, all those favours have also created heavy pressure on the public budget. For instance, federal personnel expenditures rose by a

202. *Ibid.*, at 45

203. *Ibid.*, at 45

204. *Ibid.*, at 46-7

205. *Ibid.*, at 49

206. *Ibid.*, at 49

207. *Ibid.*, at 53

whopping 22 percent in 1995, and total spending increases have exceeded the substantial rise in revenues produced by the temporary tax reform and the economic recovery beginning in 1991. The fiscal crisis has therefore not eased much.²⁰⁸

Cardoso's presidency must be understood in terms of his relationship with key business elites within Brazil, whose support for continued stabilization programs is essential. It should not be seen as a coincidence that the PROEX program was introduced in 1991, and financial contributions increased through the late 1990s with Embraer's share increasing to 39-45% of total PROEX expenditures during 1998.²⁰⁹ This occurred at a time when Collor, Franco and Cardoso were courting support from the business elites. The support of these elites is courted by Cardoso, due to the nature of Brazilian democracy but also the continuation of the stabilization programs that have been buffeted by such economic shocks as the Asian Crisis in 1997 and the Russian suspension of payments in 1998. Embraer support is also drawn from its importance as a symbol to the success of the Administration's neo-liberal trade agenda involving the opening of Brazilian borders to trade.

From the standpoint of the organizational and political models, it is significant that the PROEX program, and the bias evident in the program supporting Embraer, occur at the time that Collor and Cardoso are "buying" support for Administration stabilization programs. It suggests that the Bozano, Simosen Group, and Brazil's two largest pension funds, Sistel and Previ,²¹⁰ that own a majority interest in Embraer, wield significant influence within the Cardoso Administration.

An important question arises as to the implications of Allison's framework for Canada's strategy of "matching" PROEX subsidies as a form of "tit for tat" retaliation. Allison's bureaucratic and political models suggest that governmental processes involve complex and highly individualistic bargaining games that are opaque in nature to outside observers and may produce outcomes that are difficult to predict even by the participants themselves. The loss of Brazilian sales may be expected to impact on the political constituency within Brazil that supports Embraer. However, "tit for tat" retaliation may have quite another effect. It may change the dynamic within Brazil that otherwise could have placed pressure on the Cardoso Administration to implement the WTO panel determination that PROEX III must comply in actual practice, even though it may be compliant on a "*per se*" basis.

Brazil is attempting to integrate its industrial structure into a more open world economy, while attempting to maintain as much shielding as possible through Mercosur and other trade policies. It has always been sensitive to its role within world affairs, with a historical emphasis on being respected as a significant regional military power throughout the postwar era, at least until the restoration of democracy. Its support for the development of a domestic nuclear weapons capacity is one example of the importance attributed to a position in world affairs. It is now redefining its role to one of a regional power broker, supported by its dominance in Mercosur. It finds its expression in Brazil's insistence that the FTAA will not be an

208. *Ibid.* at 53-4

209. *Trade Policy Review, Brazil 2000, op cit., Supra*, Note 9at 93, para 68

210. *Ibid.*, at 92, para 64-6

expanded NAFTA and its initiative of negotiating an E.U.-Mercosur Free Trade Agreement as a counterweight to the FTAA negotiations. Its interest in world affairs is also underscored by its lobbying for a permanent seat on the United Nations' Security Council, much to the chagrin of Argentina that believes that the seat should be rotated with her and other South American countries. Integration within the international community – and the respect thereof – can be expected to provide significant internal organizational and political pressure for Brazil to comply with the moral authority of a finding by an international tribunal.

These factors within Brazil seeking deeper integration into the world financial community and trade environment would likely be in support of modifying the PROEX III program to satisfy the panel determination. As one example, support will likely come from within the Finance Ministry that may be seeking international financial support for the continuing current account deficits that threaten the financial viability of current stabilization programs and the continuance of market liberalization. The Finance Ministry and central players of a similar persuasion would act as a counterbalance to the entrenched elite and business interests resisting amendment to the PROEX program.

It appears that these factors had some success due to the changes incorporated into the PROEX III program that provided the basis for it to be determined "*per se*" compliant with the *SCM Agreement*. It is recognized that the changes made in the PROEX program by Brazil were on a 'no-costs' basis and may have been mere window-dressing. If Canada had not adopted a policy of matching what it perceived to be WTO-illegal subsidies, an opportunity would have been provided to determine the PROEX III program to be WTO-illegal in its application in a specific situation, a logical next step that was identified by the WTO PROEX III Panel, if not endorsed by it. Such a determination would strengthen the factors within Brazil seeking compliance.

The provision of extraordinary financial support by the Canadian government in 2001 to Air Wisconsin and Northwest Airlines, tends to relieve the pressure to comply by weakening the position of these factors within Brazil. The initiation of the panel review of Canadian support for the Air Wisconsin contract diverted scrutiny away from the nature of PROEX support, to what Brazilians see as high-handed conduct by Canada – a developed industrial nation – in adopting what she concedes is WTO-illegal support against the interests of Brazil, a developing nation facing the daunting challenge of upgrading its inefficient industrial structure. Instead of a WTO panel determination that would place additional pressure on Brazil to comply "in fact" and not only in the structure of the program, the Canada-Export Credits decision was released on January 28th finding that Canada is non-compliant and possibly vulnerable to retaliation.

The insight provided by Allison now becomes relevant. Canada's policy in the form of "tit for tat" retaliation changes the mix of incentives and pressures on the factors within Brazil's Administration that will determine the way in which Brazil might bring its PROEX program into compliance. It may compromise the most important factor in achieving meaningful compliance, and that is the pressure brought to bear by the international community through the finding that Brazil has not complied with its international obligations. From this standpoint, the *WTO SCM Agreement* may be seen as relatively sophisticated in its reliance on international pressure to achieve compliance.

(c) *RETALIATION*

The third alternative is for each nation to impose punitive tariffs of up to 100 percent on imports from the other. Canada is in a position to impose such tariffs today and Brazil soon will be should the dispute not be settled. The imposition of duties must be seen as a strategy that is largely symbolic in nature, with little chance of proving effective in achieving compliance by either nation with the WTO determinations. Apart from the experience of the remedy thus far in the context of WTO jurisprudence, it is rendered further ineffective due to the relatively limited bilateral trade existing between Canada and Brazil.

Retaliation is a strategy that is unlikely to apply any further pressure on Brazil to comply with the *OECD Arrangement* than would be achieved through a policy of forbearance. The failure of a policy of retaliation would be in part due to the fact that it is unlikely to build a constituency for change within Brazil. There is strong political support for continued government support for Embraer within Brazil, in light of its economic and symbolic importance as a successful high-technology exporter. The imposition of duties would have the result of excluding Brazilian imports from the Canadian marketplace. The economic impact of punitive duties will be dispersed across a number of low-technology sectors, including agricultural products. Instead of building pressures for change within Brazil, it would more likely have the effect of vilifying Canada once again. Canadian products could once again be the subject of boycotts. Canadian potash and sulphur would be convenient targets, to the extent that agricultural organizations would feel the effects of the punitive tariffs. This would have the effect of building a constituency within Brazil against trade with Canada, which has the potential to increase over time, the longer the retaliatory duties remain in place.

The imposition of duties will likely be seen by Brazil as a cost of doing business, apparently as it was by the European Union in the *E.U.-Meat* and *E.U.-Bananas* disputes. Brazil may attempt to fit its PROEX support within the *OECD Arrangement* over time, but if it does, Brazil will do so as a result of pressure from the multilateral community, not as a result of the imposition of retaliation. In fact, the imposition of duties might indeed lessen pressure on Brazil to comply with the *OECD Arrangement*. The imposition of punitive tariffs might be seen as an acceptable quid pro quo by Brazil and certain sectors of the international community that believe that Brazil should be given some leeway as a developing nation attempting to create a high technology sector. The result is that the policy imposes marginal cost on the Brazilian economy, while doing little if anything to ameliorate the effects of the losses of further contract competitions.

The weakness of this option as a strategy to effect change, is further undercut by the fact that once imposed, it would be difficult for Canada to eliminate the punitive tariffs, short of compliance by Brazil with the *OECD Arrangement*. Canada would stand to lose credibility in the circumstances as the impact on Canadian exports to Brazil would be realized over the long-term duration of the duties. As a result, this strategy is weak not only from the standpoint of effecting change within Brazil, but also with respect to establishing Canada's credibility within the multilateral community.

Canada's apparent abandonment of a strategy imposing retaliatory tariffs on Brazil is justified in the circumstances, as it would likely apply little pressure on

Brazilian trade authorities to change its practices vis-à-vis Embraer. It would also harm Canadian trade interests. Retaliatory tariffs are impracticable in part due to the relatively limited level of bilateral trade which can be summarized as follows:

TABLE FIVE:²¹¹
BILATERAL TRADE ANALYSIS
(\$ Cdn thousand)

	1996	1997	1998	1999	2000
Imports from Brazil	706,313	861,190	889,024	1,340,709	1,489,252
Exports to Brazil	1,290,158	1,272,637	1,208,460	987,754	984,482
CDN Trade Balance	+583,845	+411,447	+319,436	-352,955	-504,770

Canada was authorized to apply countermeasures up to \$344.2 million per year and indicated that its first choice would be to impose 100 percent tariffs. Imports are insufficient to generate the authorized amount of revenue, and tariffs of more than 200 per cent would be required to collect the "countermeasures" on a yearly basis. A review of the list of imports indicates that that cannot be assumed. Table Six below provides a summary of the principal imports from, and exports to, Brazil, which appear on the retaliation list. Iron products, agricultural products, textiles and low technology products, are fungible, and Brazil should be able to clear these products through other international markets, in the light of the relatively limited quantities sold into Canada. While the elasticity coefficients of these products have not been researched, there is no reason to believe that the markets are inelastic in nature. As a result, a punitive duty of 100 percent can be expected to shut off trade in the majority of products imported from Brazil.

TABLE SIX:
CANADA'S RETALIATION LIST, MAY 2000
(\$ Cdn thousand)

IMPORTS			EXPORTS		
HS Code	Product	Amount	HS Code	Product	Amount
72	Flat-rolled products of iron	192,585	48	Paper & paperboard	235,444
20	Vegetables, fruit, nuts	115,210	31	Fertilizers,	212,483
9	Coffee, tea,	87,762	88	Aircraft spacecraft and parts	44,628
17	Refined Sugar	74,620	10	Cereals, milling, malt	37,407
64	Footwear,	67,402	11	Starches, wheat, oil seeds	22,797
47	Mechanical Wood Pulp	52,740	39	Plastics, leather,	21,700
44	Wood products	52,287	7	Edible vegetables, etc.	14,095
8	Edible Fruit, Nuts, citrus	34,340	47	Mechanical wood pulp	12,205
63	Ceramic products	24,664	30	Pharmaceutical products	5,969
62	Blankets, apparel & rugs	23,165	29	Organic chemicals	5,542
		724,775 (48.7%)			(62.7%) 612,270

Sources: Same as for Table Five (note 194)

211. Canada Gazette, Part I, May 13, 2000, Summary of Appendices I and II, at 1454-64.

Cutting off trade with Brazil would likely have a negligible impact in terms of compelling Brazil to alter its financial support for Embraer, as Canadian-Brazilian bilateral trade is limited largely to agricultural or other products involving relatively low technological content. Eliminating steel imports from Brazil might provide some welcome relief from the standpoint of Canadian steel producers, who are under significant international competitive pressure. However, cutting off trade may have some unintended consequences, including retaliation by Brazilians against Canadian products, in a manner that is not necessarily coordinated by the Brazilian government. In January, 2002, Canadian-Brazilian trade relations were further strained, when Canada placed a ban on Brazilian beef due to concerns arising from the so-called "mad cow disease".²¹² Reaction was immediate and out of proportion to the expected limited duration of the ban. Canada was shocked to find itself subject to vilification by the Brazilian public, with demonstrations in the streets and boycotts against Canadian goods.

The treatment of Canadian potash²¹³ provides a case study of the impact of the boycotts within Brazil. Canada is the world's leading producer and exporter of the main potash product potassium chloride.²¹⁴ It is used as a fertilizer and as a plant nutrient, either on its own, or mixed with phosphate and nitrogen.²¹⁵ World production was approximately 42.3 million metric tons, in 2000.²¹⁶ The Canadian industry employed approximately 3,400 workers, and generated \$1.8 billion in sales,²¹⁷ with 95% of production concentrated in Saskatchewan, which enjoys a competitive advantage over its international competitors:

Saskatchewan's potash industry ranks as the world's most productive. Its productivity is more than 10 times that of the Russian industry and 3 times more than that of the European potash producers. The Saskatchewan potash industry accounts for 33% of world production and 33% of world capacity.²¹⁸

The majority of Canadian potash sales are made through Canpotex, a producer-owned potash marketing company, the shareholders including Potash Corporation of Saskatchewan Inc. (Saskatoon), Agrium Inc. (Calgary), and IMC Global Inc. (Chicago).²¹⁹ Canpotex was incorporated in 1970 and has built an

212. Canada became concerned about the possible infection of the Brazilian herd due to the importation of cattle from Europe.

213. "The term 'potash' refers to a group of potassium-bearing minerals and chemicals. Potash includes potassium chloride (sylvite), potassium-magnesium chloride (carnallite), potassium sulphate, potassium-magnesium sulphate (langbeinite), and potassium nitrate." *Canadian Minerals Yearbook*, 1999, Potash, Michel Prud'homme, Minerals and Metals Sector, Natural Resources Canada.

214. Prior to the break-up of the Soviet Union, Canada was the largest supplier of potash in the world. The former Soviet Union sells more potash than Canada does but at lower prices due in part to its poorer quality and selling methods. Canpotex Interviews, May 30th, 2001.

215. *Ibid.*, at 41.2

216. International Fertilizer Industry Association Figures (million metric tons):

NB/Sask	USA	China	Israel	Jordan	CIS	England	France	Germany	Spain	Total
0.8/14.3	1.3	0.5	2.9	0.5	13.5	1.0	0.5	5.6	0.9	42.3

217. *Ibid.*, at 41.1-3

218. "Production occurred at eight underground mines and two solution mining operations in Saskatchewan and at one underground mine in New Brunswick. Another operation in New Brunswick only used its compaction units after its underground mine flooded in 1997." *Ibid.*

219. Canpotex is a Canadian export association, established pursuant to Section 45(5) of the Competition Act. It does not run afoul of North American cartel laws in part because Canpotex does not sell into either Canada or the United States. The companies handle their own sales in those markets, competing aggressively with one another. Information has been sought on three occasions from the European Community. Canpotex interviews, May 30th, 2001. 2000 Annual Reports:

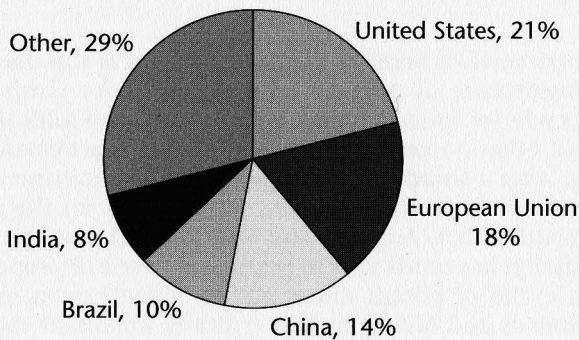
Shareholder	Production (000 tons, KCI)	Location
Agrium,	1,790	Vanscoy, Saskatchewan
Potash Corp	7,149	Cory, Patience Lake, Allan, Lanigan, Rocanville, Sask.
IMC Global	8,385	Belle Plaine, Colonsay, Esterhazy (2 mines), Sask

Agrium IMC Global's interest in Canpotex is held by Canadian subsidiaries.

international reputation for service, product quality, and timeliness, thus allowing it to charge a price premium in an intensely competitive market. It has invested in a state-of-the-art shipment infrastructure, including facilities in Vancouver and Portland. It has also invested heavily in market development in such locations as China, to educate farmers as to correct fertilizing methods. Canpotex is a “flow through” company, which arranges distribution, sales and deducts its costs after sale.²²⁰

Brazil represents one of the most important international markets for potash, due to its large agricultural sector and the importance of its meat industry both domestically and in terms of export concentration. It represents ten percent of world consumption, while producing only 540,000 tons of potash in 1999.²²¹

FIGURE ONE:
1999 WORLD POTASH CONSUMPTION²²²



In 2000, Canpotex sold about 635,000 metric tons of potash to Brazil, representing 12 percent of total sales.²²³ Sales to Brazil have almost doubled over the past five years and this increase is due not only to growing consumption, but also to the fact that Canadian potash is capturing a larger market share. Canpotex has a better and more concentrated sales force, primarily located in Canada but with strong local representation. This successful combination has led to product differentiation and brand-awareness of Canadian potash at the farm gate, which represents a substantial achievement,²²⁴ given the fungible nature of potash generally. Notwithstanding this brand-awareness, Canada faces significant competition within the Brazilian market:

220. It buys from the three shareholder companies at the mine, load, transport and sell the potash. An interim price is established for the potash and a final adjustment is made after final sale. Canpotex interviews, May 30, 2001.

221. *Canadian Minerals Yearbook*, *op cit.*, *supra*, note 196, at 1

222. *Ibid.*

223. Total Brazil Sales / Total Canpotex Sales (All grades)

	1998	1999	2000
	13%	9%	12%

224. Canpotex interviews, May 30, 2001.

**TABLE SEVEN:
BRAZILIAN POTASH MARKET SHARES²²⁵**

<i>Supplier</i>	<i>Country</i>	<i>Total 1999 MT</i>	<i>%</i>	<i>Total 2000 MT</i>	<i>%</i>
Dead Sea Works/Israel		448,620	14.20	755,541	17.89
Kali Und Salz/Germany		660,443	20.90	742,098	15.58
Ameropa	CIS	659,165	20.86	651,166	15.42
Canpotex	Canada	440,340	13.94	635,924	15.06
PCS	Canada	476,798	15.09	626,697	14.84
Mekatrade	C.I.S.	345,346	10.93	514,661	12.19
Balance		128,767		295,998	
Total		3,159,479	100.0	4,222,085	100.0

The importance of Brazil in the potash market is also due to its location in the southern hemisphere. It provides an opportunity for Canpotex to complete the processing cycle for its shareholder corporations who fulfil their North American, Chinese and other northern hemisphere market requirements during the Winter and Spring. After a shutdown for holidays and maintenance, the companies then begin operations to fulfil the market requirements for the southern hemisphere including South Africa, Australia and New Zealand, but most importantly, Brazil. Any interruption in exports sales to Brazil, will have a disproportionate effect on the production cycles of potash mines within Saskatchewan, potentially leading to mine shutdowns and layoffs in this critically important market segment to the Western Canadian economy.²²⁶

There are seven different grades of potash that are sold by Canpotex. Some grades are manufactured in a granular form that is good for mixing and bulk blending. From 1998-2000, 18-25% of Canpotex sales were accounted for by the granular grades, and 33-50% of these sales were to Brazilian customers. Granular sales accounted for 66%-84% of total sales to Brazil. Granular production is limited to certain mines within Saskatchewan and so the loss of the Brazilian market would have a disproportionate effect on these mines.²²⁷

Canadian potash sales to Brazil are vulnerable to disruption, if retaliation leads to a sharp reduction in imports from Brazil to Canada. This was demonstrated by the cancellation of orders for 60,000 tons of potash (\$8 to 9 million in revenue) that occurred in the January-February period. The cancellation reveals characteristics of the Brazilian market, and the manner in which Canadian exports may be affected by retaliation undertaken in the Embraer dispute. There had been no significant disruption in Canpotex's sales to Brazil as a result of any trade action, prior to the beef ban. Canpotex was aware of the Bombardier-Embraer trade dispute and considered that it would not represent a problem as long as it was kept focused on the aircraft industry. Buying patterns were unaffected and Canpotex did not receive any complaints about Canada, arising from the dispute. Once the beef ban was

225. Potafertz, share data, 2000 vs. 1999

226. Canpotex Interviews, May 30, 2001.

227. *Ibid.*

imposed, however, Canpotex's Brazilian customers indicated that they were experiencing problems, because farmers were angry at the Canadian trade action. The meat industry has a significant symbolic importance in Brazil and the reaction was an emotional one, that spun out of control and it was not coordinated by the Brazilian government. It was a grassroots protest that was partially a result of the success that Canpotex had achieved in establishing brand awareness. The vulnerability of Canadian potash was reflected in Brazilian news reports:

"I have been in contact with my suppliers of fertilizers and informed them that our plant will no longer use seasonings that contain Canadian potassium chloride." *Jose Pessosa de Queiroz Bisneto, President J. Pessosa Group.*²²⁸

A similar pattern can be seen in the effect that the beef ban had on Canadian sulphur sales to Brazil. Sulphur is a key ingredient in fertilizer and Canada is a rich source of natural high quality sulphur. In 1999 and 2000, the Canadian sulphur industry was receiving reports from their sales agents in Brazil, that Brazilians were unhappy with the Canadian position in the *Aircraft from Brazil* dispute. This discontent flared into indignation when Canada imposed its ban on Brazilian beef. Brazilian longshoremen refused to unload Canadian products, including sulphur. The depth of feeling in Brazil was demonstrated by the fact that one of the major clients in Brazil – accounting for approximately one-third of sulphur purchases – gave an interview to a newspaper indicating that he would no longer purchase Canadian sulphur.

While the trade war remains in force, we (Ultrafertil) will substitute our Canadian sources of raw material for Polish, Middle Eastern, German or Russian sulphur... We have already concluded with one alternative source... I support 100 percent the actions that the workers of the Port of Santos are carrying on; I believe that other businessmen should do the same and change their suppliers.²²⁹

The effect of the beef ban was to depress sulphur sales which, in the first six months of 2001, amounted to 544,000 tons, representing a reduction of 159,000 tons, or 23 percent, versus the same period in 2000.²³⁰ Sulphur purchasers were diverted to California and the Middle East. A lingering effect of the reaction is that Brazilian purchasers have established longer term supply contracts with alternative sources. In 2000, Canada exported 1.126 million tons to Brazil, out of a total market consumption of 1.4 million tons. While it is unlikely that Brazil could eliminate Canadian sources of high-quality natural sulphur, an important Canadian market could be disrupted with a significant decline in sales if the dispute was to flare up again.²³¹

The effect of retaliation in the context of the PROEX dispute can now be put in its proper context. Agricultural products are included among the imports that would be terminated if Canada was to impose a 100 percent punitive tariff as retaliation. There is reason to believe that the reaction within Brazil to this kind of retaliation would be similar to the reaction to the beef ban earlier in the year, in part due to the fact that beef products are included in the list of target products.

228. "Embaixada canadense ganha vaca brasileira," GM, February 8th, 01. The J. Pessosa Group owns six sugar and alcohol plants in Brazil.

229. Ultrafertil suspende compra de productos químicos canadenses, Decisão da diretoria permanecerá enquanto durar o veto à carne brasileira

230. *North America Sulphur Service* – August, 2001, at 6

231. Based on interviews with Canadian sulphur industry officials, August 28, 2001.

A significant number of other agricultural products are included as well, and so the impact on the grassroots farming organizations should be the same.

The result is that trade in both Canadian potash and sulphur would likely be side-swiped by the implementation of a punitive 100 percent tariff by Canada. The same emotional reaction can be predicted in response to Canadian retaliation in the *PROEX* action. The duration of the interruption in Canadian-Brazilian trade will likely be much longer in the circumstances of the imposition of retaliation. A disruption of rather short duration caused a loss of ten percent of potash sales to Brazil. Retaliation in the *EU-Bananas*²³² and *EU-Meat*²³³ disputes, indicates that the imposition of retaliation in the *PROEX* dispute might last indefinitely resulting in a significant reduction in Canadian exports, while alternative sources of supply strengthen their sales relationships with Brazilian customers. In the case of Canadian potash, this trade action would disrupt Canpotex sales to the southern hemisphere and cause problems with respect to production scheduling in Saskatchewan mining and processing operations.

Turning to Allison's analysis, it must be recognized that the business groups and elites within Brazil are important factors in the determination by Brazil on how to comply with WTO determinations and respond to Canadian retaliation. They exercise their influence through the myriad contacts that they appear to have within the Brazilian government departments directly involved in the development of Brazilian economic strategy. An earlier trade dispute serves to illustrate the nature of the relationships between business, Congress and the executive within Brazil. The United States and Brazil were involved in a trade dispute that lasted almost 15 years involving pharmaceutical patents.²³⁴ In the late 1980s, the United States was involved in a dispute with many developing nations, with the United States alleging that they provided inadequate intellectual property protection for the research and development expenses implicit in the marketing of new drugs. Brazil was seen as one of the leading opponents of this initiative.²³⁵ In the late 1980s, the United States targeted Brazil for retaliation through the Super 301 trade remedy and imposed punitive tariffs on Brazilian goods,²³⁶ that had unintended consequences, resulting in a counterproductive reaction by both the executive and the Congress.²³⁷ The trade dispute died down in the early 1990s with promises of legislative action by President Collor and Cardoso but by 1994, the U.S. was again frustrated by Brazilian inaction and the U.S. threatened retaliation.

The Brazilian Congress rejected U.S. threats. The president of the Senate, Humberto Lucerna, observed that "no one votes on this kind of matter under international pressure" and warned that the Senate might water down the proposed legislation.²³⁸

232. *EU-Bananas*, *op cit.*, *Supra*, Note 149

233. *EU-Meat*, *op cit.*, *Supra*, Note 149

234. Thomas O. Bayard, Kimberly Ann Elliott, *Reciprocity and Retaliation in U.S. Trade Policy*, Institute for International Economics, 1994, at 187.

235. *Ibid.*

236. The United States imposed 100 percent tariffs on \$39 million worth of Brazilian exports. The products targeted included \$27 million in paper products, \$11.9 million in nonbenzenoid drugs, and \$100,000.00 in consumer electronics, "reportedly to pre-empt Brazilian exports in this sector." *Ibid.*, at 197-8

237. "The U.S. announcement of retaliation may have provoked a counterproductive reaction in Brazil. President Sarney reportedly rescinded an order to Brazil's patent and trademark office to draft amendments to product pharmaceutical processes but not products. And the Brazilian Congress inserted provisions (later removed) in the draft constitution to prohibit even process patents." *Ibid.*, at 198

238. *Ibid.* at 199

Once again, retaliation did relatively little if anything to contribute to the resolution of this dispute. As Bayard and Elliott suggest, the lesson to be learned is that "it is exceedingly time consuming and difficult to achieve effective IPR protection in developing countries in which powerful groups oppose it."²³⁹ It is notable that aspects of this intractable dispute continue to this day, with a recent iteration and threat of trade action being resolved in Spring 2001, with the announcement of a bilateral agreement that resulted in the United States dropping its complaint before the WTO. The settlement requires Brazil to notify the United States "if it plans to apply a provision of Brazilian law that would force U.S. patent holders either to start manufacturing in Brazil or license local manufacturers to manufacture the product."²⁴⁰ The U.S. and Brazil are required to consult in a special bilateral session to resolve the issue, although neither has waived their right to bring the dispute once again before a WTO tribunal.²⁴¹ The United States has determined in this dispute – after a long and protracted struggle involving threatened retaliation on two occasions – that negotiation is a better alternative.

Embraer can be expected to have close connections with several federal ministries within Brazil, particularly Industry and Finance. These departments will be populated by officials with close connections with power elites supporting Embraer as an important national champion. They also exercise their political power through the contacts they have within the Administration and their continuing support may be perceived as crucial to maintaining democratic institutions and the Administration's neo-liberal trade agenda. It is apparent that no countervailing group has emerged in Brazil to oppose the policies that offer financial support for Embraer.

Should Canada retaliate by imposing punitive tariffs, the role of the elites within Brazil can be expected to be involved in fashioning a response. It is expected that a significant proportion of the processing, distribution and/or consumption of imported potash and sulphur within Brazil is by large scale agriculture interests. These interests will be closely connected to the Brazilian political elites. Consequently, their motivation and behaviour will likely be highly affected by political considerations, and not necessarily linked to strict economic rationality. In the case of Embraer, these elites will be highly vocal in their support for President Cardoso's policies to sustain Embraer as a national champion. Decisions about sourcing potash and sulphur may become closely connected with the political priorities of the Cardoso Administration.

As a result, it is not sensible to limit the analysis to a game theory analysis of costs and benefits based on economic incentives. The broader framework provided by Allison lends support to bottom line arguments that a policy of punitive tariffs against Brazilian exports is undesirable from a Canadian point of view.

239. *Ibid.*, at 200

240. *U.S., Brazil End WTO Case On Patents, Split On Bilateral Process*, June 29, 2001, www.insidetradetrade.com

241. The reason given for American support for the accord is notable:

"Informed sources said the U.S. backpedaling from the WTO panel, which it had requested in February, reflected unwillingness on the part of U.S. Trade Representative Robert Zoellick to give opponents of trade liberalization a red-hot issue that appeared to give credence to the idea of the WTO interfering with poor countries' health policies."

One significant issue that would be part of the dispute would be the access that developing countries should have to HIV/AIDS related drugs. *Ibid.*

V. CONCLUSION: FORBEARANCE WITH AN EXPEDITED ARBITRAL MECHANISM THE SUPERIOR STRATEGY

It is our conclusion that in the circumstances of the *Aircraft from Brazil* dispute, forbearance with the introduction of an expedited arbitral mechanism is Canada's best option. This is superior to matching subsidies or imposing retaliatory duties. The nature of the dispute is such that arbitration would be suitable to determine, on a timely basis, whether a government offer of financial support complies with the *OECD Arrangement* while a specific contract competition is still open. It would be ideal if the arbitral determination was binding upon the parties and enforceable in the domestic courts by adopting the New York or Inter-American Arbitral Conventions. However, it is unlikely that the parties can agree to a binding mechanism and one that is enforceable in this manner. It is possible that the determination will be binding only in the sense that it can be adopted as a *WTO Dispute Settlement Body* report and "enforceable" through the moral suasion of the multilateral community.

A policy of matching subsidies is the most aggressive remedy that Canada can adopt and may well be an effective strategy from the standpoint of attempting to influence behaviour within Brazil. However, it carries a significant cost, in terms of damage to Canada's international reputation. It is a self-help remedy within a legal framework that frowns upon the utilization of such remedies, due to the experience with the American Section 301 mechanism. It is generally perceived that should the utilization of self-help remedies become pervasive, the WTO dispute settlement mechanism will become discredited and weakened. The justification for utilizing such a self-help remedy becomes somewhat opaque as a result of the finding that the Canadian and Brazilian programs are compliant with the *WTO SCM Agreement* on at least an "as such" basis. There is no longer a "bright line" determination that financial support extended pursuant to these programs ipso facto are non-compliant in a manner justifying some form of retaliatory response within the context of the WTO. "Matching" a "subsidy" in such circumstances gives rise to a likelihood that the self-help remedy will be found non-compliant by a WTO panel in much the same way as the *Canada-Export Credits* determination.

In the circumstances of the Air Wisconsin transaction, Canada determined that it was important to "buy" the contract by providing support that it must have known would be characterized as a prohibited export subsidy not consistent with the *OECD Arrangement*. The utilization of a self-help remedy by Canada in the circumstances has provided an opportunity for Brazil to deflect WTO attention away from itself and onto Canada.

The least attractive of the three alternatives is the imposition of duties in a WTO-authorized form of retaliation. It carries with it at best a modest chance of successfully influencing Brazilian support for Embraer. It more likely will be seen as a cost of doing business within Brazil and a relatively modest one given the political and symbolic importance of Embraer. Experience with the implementation of retaliation suggests that it adds little, if anything, to the pressure applied to bring the program in question into compliance, by multilateral surveillance pursuant to the provisions of the WTO DSM. In the context of earlier trade irritants between Canada and Brazil, this form of retaliation also carries with it a significant risk that the dispute will escalate in an uncontrollable fashion due to an emotional, popular

reaction to the closing off of Brazilian exports. The case studies presented above, involving potash and sulphur, indicate that trade action by Canada may lead to a boycott of Canadian goods. As a result, the objective of building a constituency within Brazil to force compliance may backfire and indeed build a broad coalition with the objective of punishing Canadian trade interests.

The parties should realize that the introduction of an arbitral mechanism is in their interest, especially if the competitive landscape of the regional jet market changes as a result of new market entrants. Throughout the dispute, the parties appear to have characterized the dispute as a two-party game. Embraer has already begun to forge links with Europe. Bombardier's market position is at risk due to a higher cost structure than either Brazil or Russia (hence the structure of the Boeing/Russian venture). Brazil similarly enjoys a lower cost structure, with a highly skilled engineering and industrial workforce and so may enjoy a better confluence of competitive factors. The possibility of new market entrants with "deep pockets" should support the introduction of an arbitral mechanism. The purpose of the *WTO SCM Agreement* and the *OECD Arrangement* is to limit such "competition of treasuries" and the adherence to such limits may provide welcomed relief, especially if the new entrants include the European Union and Boeing with their deep pockets.

The importance of the changing competitive landscape is caught in Michael Porter's theory of competitive advantage and the limited role that government should play in the development of business clusters.²⁴² Porter's theory indicates that competitive advantage is essentially a function of the quality of certain dynamic factors within the national economy. The primary agent of competitive advantage is the concept of a "business cluster", which is defined as "groups of industries connected by buyer-supplier relationships or strong interrelationships in terms of products and technology... involv[ing] end products, specialized inputs used in these products, specialized machinery employed in making them and associated services."²⁴³ Porter identifies the business conditions essential to the growth of business clusters in proposing his paradigm of a "diamond" of factors interacting on one another which is crucial to continual upgrading in an industry. The four main determinants are: factor conditions; demand conditions; related and supporting industries; and firm strategy, structure and rivalry. In addition to these determinants, the role of government and chance are also important determinants. Together these determinants form a system which dynamically produces competitive advantage:

Each of the four determinants of competitiveness ... influences the capacity of a nation's industry to innovate and upgrade. Together they constitute a dynamic system that is more important than its parts. Over time, the determinants tend to be mutually reinforcing or mutually undermining.²⁴⁴

The elements that promote competition will reinforce upgrading which may lead to sustainable competitive advantage. Those which do not reinforce competition are problematic. This leads to an analysis of the role of government:

242. Michael E. Porter, *Canada at the Crossroads, The Reality of a New Competitive Environment*, The Monitor Company, 1991, at 22

243. *Ibid.*

244. *Ibid.*, at 63

Government has a less decisive role than is implied in much of the current writing on competitiveness. Government policy toward the economy is often framed as a choice between laissez-faire and direct intervention in industry. This dichotomy is inaccurate. The role of government policy is best understood by looking at how it influences the diamond. Government at all levels can improve or impede national advantage through, for example, its investments in factor creation, through its role as a buyer or influencer of buyer needs, through its role in related and supporting industries, through its influence on the goals of individuals and firms, and through its competition policies.

The proper role of government is to improve the quality of the inputs (factors) firms can draw upon, and define a competitive environment and rules of the game that promotes upgrading... Its appropriate role is an indirect, rather than direct, one. Government's proper role is as a catalyst and challenger. It is to encourage or even push, companies to raise their aspirations and move to higher levels of competitive performance, even though this process may be unpleasant and difficult. Government's job is to make firms feel wanted but uncomfortable and in need of improvement, not to forge cosy business-government "partnerships", relax pressures on industry, or to seek to eliminate risks.²⁴⁵

The singular focus by Canadian trade representatives on Brazil's PROEX program, might contribute to a lack of attention to more important competitive factors to the future of Bombardier's competitive advantage such as the change in the competitive landscape and the flexibility it might need in meeting this competition.

245. *Ibid.*

PART III

FIELD TRIP EXPERIENCES AND IMPRESSIONS

REFLECTIONS ON THE DISPARITY BETWEEN THE RICH AND THE POOR IN BRAZIL

Vanessa Lishington

The field research trip to Brazil was the third component of the independent research project undertaken this year by seven students of Glendon College, York University. The fourth and final component of this in-depth study of a country or region of the world was the reflection upon the field research trip.

I chose primarily to focus upon the disparity between the rich and the poor within Brazil, which I witnessed first-hand and which stirred up a melee of emotions that I am still unable to digest and comprehend. Whatever statistic or article you read in a magazine or a study about the inequality between the elite of Brazil and the poorest Brazilians in no way prepares you for what you see with your own eyes. I saw immense mansions, with incredibly large gates and security personnel, Brazilians walking in downtown São Paulo dressed very fashionably and expensively. On the flipside, I saw people picking through garbage, and sitting on the sidewalk eating this garbage for dinner; most of them were young adults or children. Witnessing this, I felt disbelief, disgust, horror, outrage, but most of all, shame. Here I was, with six other students, traipsing through Brazil because we had the opportunity to come to this dynamic country; we came here because we *chose* to come here. Not only that, we were able to visit six cities in Brazil. It was very difficult to reconcile the fact that I was there by choice, while many Brazilians continued to live well below the poverty line and therefore might never have the opportunity to visit another country.

Whenever one reads anything about Brazil, the disparity between rich and poor is almost always a subject that is touched upon. Yes, there are gross disparities in other countries as well, but I think it appears particularly acute in Brazil because the country itself is so rich in natural resources, not to mention the fact that it is an economic powerhouse within Latin America. Poverty in Brazil is regional; the southern states are much better off in terms of quality of life than the northern states. What is interesting to note as well, is that Brazilians of African descent reside mostly in the northern states of Brazil, while many Brazilians of German and Italian origin reside in the south. Thus, one not only sees a polarity between north and south, but also between Brazilians of African origin and Brazilians of European descent.

The city of Rio de Janeiro was where I felt the effects of income inequality were most visible and jarring. Against the stunning backdrop that Corcovado, Sugarloaf, stretches of white sandy beaches and immense hotels provide, people could be found sleeping on the street, begging with their children, visibly battered and beaten both in body and spirit. Every time I turned around, this vivid and painful contrast met me full-force, whether upon a return from the beach or the shopping mall. Again, the fact that I was there by choice, and witnessing all of this but being separate from it, only re-affirmed my own realization and appreciation of how lucky I was, how lucky our group was, to be able to study and live in Canada and be privy to all the benefits that come with being Canadian, but also only more painfully aware that there are so many other people who don't and may never have the opportunities or lifestyle that Canada affords us.

Coming to Brazil was an incredibly exhilarating experience in all senses of the word. It was also very humbling. As outsiders, essentially tourists to Brazil, we had

to be acutely aware that our presence within the country went beyond the essence of our little group; many people looked at our behavior as representative of Canada and Canadians. Therefore, I think it can be said, we consciously conducted ourselves in such a manner as to show our genuine appreciation for everything that everyone we met offered to us. Our gratefulness was not a phony act; we were amazed and surprised everyday at the kindness of the Brazilians we met. Virtual strangers opened their homes to us and showed us around their respective cities. Brazilians truly are a proud and patriotic people. I take this moment to say that coming to Brazil dispelled the stereotype that rich and middle-class Brazilians do not care and do not want to ameliorate the situation in their country. This is simply not true. So many Brazilians have said to us that it hurts them to see their people, especially the youth, suffer from poverty, violence and hopelessness. Brazilians do want to help bridge the gap between rich and poor, but wanting to help and actually finding a method to really ameliorate a dire situation are two completely different things. Oftentimes, and it is sad to say, the people that can help the most, that is, the middle-class and elite, are the very victims of crime and so the fear of being attacked while driving a car or walking the street only strengthens the human instinct for survival and self-preservation and diminishes the urge to reach out to those in distress.

Demographically, Brazil is a country of young people. Consequently, it is the young Brazilians that are most affected by the country's problems. Our group was able to meet two very interesting organizations, Projeto Axé in Salvador and Comunidade Solidaria in Brasilia, that are working towards helping young people re-integrate themselves back into society. Projeto Axé has a unique way of reaching out to street kids in Salvador. Employees of Axé first work towards gaining the trust of these young people, an incredibly difficult task given the fact that because of their experience of being homeless, many of these youth have attachment difficulties and various other emotional issues. The goal of Axé employees is to uncover what interests the youth have; whether it be sports, theatre, visual arts, dance, etc. Theirs is a more artistic approach; they try to encourage creativity as a way to boost a young person's self-confidence. It is the youth's decision to ask Projeto Axé workers for help in re-integrating into society; learning a trade, finding a permanent place to live, even returning home. Comunidade Solidaria is a governmental organization operating out of Brasilia. It has a variety of functions, whether it is the promotion of Brazilian craft or helping youth learn marketable skills and trades and encouraging education. These are only two organizations among the thousands that are working within Brazil with a common goal of better quality of life. Suffice to say, there are many Brazilians involved in grassroots organizations intent on improving living conditions within their country.

Although I witnessed many things that I found distressing, I don't regret for one second traveling to this beautiful and complex country. I believe that the field research trip was where I learned the most about Brazil, by experiencing it with all my senses. Yes, there is incredible poverty in this country, and it seems to get worse and worse everyday, but there are Brazilians that do care and who want to do something positive to help others; knowing and experiencing this was a consolation. It is because of this kindness that I have witnessed and also the determination, on the part of the organizations our group met, to ameliorate the social situation in Brazil that I would eagerly return one day to volunteer or work in one of these

organizations. I believe the field research trip is the most important component of the entire independent research project. What we read in books and saw in films only gave us a limited view of what life might be like in Brazil; having a chance to go to the actual country and immerse oneself in the culture was absolutely incredible, an assault on all the senses. What I take from this experience is the knowledge that I am more informed and enriched in terms of knowing this dynamic country, and all the more in awe and humbled by the strength of Brazilian people from all walks of life.

LE BRÉSIL : ÉNERGIE POSITIVE LE CAS DU 'PROJETO AXÉ'

Maria Faija

Notre excursion de près de quatre semaines au cœur du Brésil nous aura mené dans les quatre coins de ce pays et nous aura permis de survoler, même si très sommairement, la réalité complexe d'un pays si métissé et tant contrasté économiquement et culturellement. Vu du Canada ou d'ailleurs, le Brésil est souvent perçu comme le pays du football, du carnaval, de la samba et de la misère des favelas. Mais derrière ces clichés révélateurs d'une certaine réalité brésilienne, se cache en fait une réalité beaucoup plus complexe et contrastée qu'il n'y paraît.

Nous avons eu le privilège de côtoyer, ou plutôt, de frôler devrais-je dire, un univers et une vie quotidienne différents de la nôtre et cela que ce soit de Rio de Janeiro à São Paulo en passant par Salvador de Bahia, Brasília, Manaus ou Porto Alegre. Ce voyage, réalisé en plusieurs étapes, comporta des rencontres avec des représentants de divers centres universitaires, des représentants du gouvernement brésilien et canadien, des personnalités liées aux secteurs éducatif, culturel, social et économique, des visites et une excursion en Amazonie. La richesse et la diversité de ces rencontres ont contribué à notre intérêt pour ce pays où les contrastes et les différences jonglent continuellement.

Nous avons tous été touchés par divers aspects de la société brésilienne et, personnellement, j'ai tout particulièrement été attirée et concernée par la situation des enfants et surtout ceux de la rue que l'on nomme en portugais 'os meninos da rua'. Aussi, vous pouvez imaginer quel fut mon émerveillement que de rencontrer diverses organisations qui tentent à leur façon de changer les choses et surtout de constater qu'elles font preuve d'un dynamisme, d'une créativité, d'une volonté et d'une énergie positive hors repère pour donner aux enfants l'espoir d'un monde meilleur. C'est pourquoi c'est cette expérience, ou encore cette énergie si enrichissante que je désire évoquer et que j'espère vous transmettre au travers de ce bref papier. Au cours de ces quelques semaines, comme mentionné précédemment, nous avons rencontrés des organisations non-gouvernementales(ONGs) et des organisations gouvernementales. Certes, le Brésil compte, selon certains auteurs, près de 110,000 ONGsⁱ mais c'est surtout le travail de l'une d'entre elles en particulier, que j'aimerai présenter brièvement. Avant de rentrer dans les détails de l'action de cette ONG qui se nomme *Projeto AXÉ*, il me semble important d'indiquer quelques chiffres et quelques données qui sont nécessaires à la meilleure compréhension de l'ampleur et de l'envergure de la situation de ces 'meminos'. Au Brésil, selon les chiffres alarmant de l'UNICEF :

- 25,000,000 children have no leisure, education, regular food, housing and adequate hygiene, and are subject to all kind of violence
- 35,999 children aged under five die every year
- 3,500,000 children and youth aged between 7 and 17 are illiterate
- 4,000,000 Brazilians under 14 (minimum age allowed by the Constitution) are workingⁱⁱ

La société brésilienne, avec l'appui du gouvernement, est engagée dans la lutte contre la marginalisation et l'exploitation de l'enfance. Aussi, nous pouvons mieux

i Vincent David, Mondialisation des ONG http://céwww.liberation.coméomcédicoégerm_ong.php3 (consulté le : 31/10/01)

ii ABRinq Foundation for Children's Rights, A history of Action 1990-1997, Fundação ABRINQ pelos direitos da criança, pg 11.

comprendre l'importance des ONGs qui sont sensibles à cette question pour le moins si déroutante. Dans l'État de Bahia, des initiatives nettement réussies reviennent à des organisations non-gouvernementales telles que le *Projeto AXÉ* qui prend à cœur la défense et la protection des enfants et des adolescents.

Un des temps fort de notre séjour au Brésil a donc été la visite de l'organisation *Projeto AXÉ*. Située dans la première capitale à l'époque de la colonisation, au sein même du carrefour de plusieurs cultures, l'ONG *Projeto AXÉ* a pris racines dans la capitale bahianaise classée patrimoine culturel de l'humanité par l'UNESCO. Cette organisation souhaite contribuer à l'amélioration de la situation des personnes vivant dans un état d'extrême pauvreté, et particulièrement les plus vulnérables, à savoir les enfants et les jeunes.

Créée en 1990, par un italien Cesare de Floria la Roca, cette ONG vit au cœur même de la pauvreté. En effet, à Salvador de Bahia, plus d'un million de personnes, vivent dans des conditions d'extrême pauvreté et l'UNICEF estime que près de 270,000 enfants entre 10 et 14 ans travaillent plus de 40 heures par semaine en échange d'un salaire modique.ⁱⁱⁱ Le programme proposé par *Projeto AXÉ* prône la défense des droits des enfants et des adolescents en agissant au niveau éducatif et social. Selon Ricardo Cappi, que nous avons rencontré le 16 avril 2002, la philosophie derrière ce projet, est de construire un 'projet de vie' qui permet aux enfants et aux jeunes de la rue de changer la perception qu'ils ont d'eux-mêmes et donc de développer une meilleure estime d'eux-mêmes. Par ailleurs, il ajouta que l'objectif de *AXÉ* est de faire réfléchir 'nois fazemos pensar'. En effet, ce programme encourage, souvent au travers de moyens artistiques comme la danse, la musique, etc, les enfants et les jeunes de la rue et tente donc de stimuler leur désir pour le changement, afin de les aider à trouver une raison de vivre. La pédagogie qu'il propose s'inspire des modèles de Freud et de Paolo Friere. Cette pédagogie qui se cache derrière cette organisation est par conséquent celle de la 'pédagogie du désir, du vouloir'. Tout comme leurs mentors, le *Projeto AXÉ* a pour philosophie la prise de conscience de soi, du monde. En effet, la réussite ou l'échec des apprentissages sont d'abord fonction du regard que chacun porte sur le monde et soi-même. Un regard qui souvent reflète et détermine les jugements, les opinions, les comportements de chacun et chacune.

Ayant gagné une certaine renommée dans la capitale bahianaise, non seulement au niveau national mais également international 'os meninos da rua' font désormais le premier pas et participent d'eux-mêmes aux différents ateliers tenus par les éducateurs de *AXÉ*. Il faut préciser que les éducateurs qui sont sélectionnés le sont sur des bases peu conventionnelles. En effet, ce sont les qualités humaines et non obligatoirement les diplômes qui sont requis. *AXÉ* recherche donc avant tout, auprès de ces employés, une volonté de participation, un désir de militantisme. Cette approche, peu commune, est possible car les éducateurs bénéficient d'une formation. Au cours de celle-ci, ils apprennent que leur rôle n'est pas celui de gendarme mais plutôt celui de quelqu'un qui est à l'écoute, de quelqu'un qui respecte et qui tente d'ouvrir les yeux de ces enfants en les rendant conscients, par exemple, que la drogue les empêche de réaliser les plus belles choses de la vie, et que leur avenir est directement lié à leur façon de vivre et de s'intégrer. Tous les quinze jours, les éducateurs, les psychologues et les assistants

iii UNICEF, *Adottiamo un progetto : Brasile bambini della notte*,
http://céwww.unicef.it/Adottaprogetto/projetbrasile.html (consulté le 10/05/02)

sociaux se réunissent pour partager leur expérience et discuter de leurs idées et projets tout en exorcisant leurs craintes ou leurs traumatismes. Quant aux enfants ou aux jeunes qui souhaitent bénéficier de ce projet, ils se doivent de respecter certaines règles strictes et précises afin d'être acceptés. En effet, il y a des conditions à remplir et les principales sont : le bannissement de la drogue et le retour à l'école.

Depuis sa création, le projet AXÉ a dirigé les enfants et les adolescents vers un système éducatif public, des ateliers de créativité et d'arts plastiques et le marché du travail. Par ailleurs, Projeto AXÉ suit juridiquement les actions de défense des droits des enfants et des adolescents et effectue un chiffrage et un repérage des enfants des rues de Salvador. De plus, AXÉ propose de traiter les problèmes que connaissent les enfants en luttant contre l'exclusion et les inégalités et pour le droit fondamental à la vie, une vie dans la dignité. Ce programme symbolise la force et l'énergie positive. En effet, AXÉ en langue indigène signifie l'énergie positive qui permet à tout être humain de se réaliser en tant que tel, en tant que soi.

Ce projet est soutenu par les gouvernements au niveau fédéral, de l'État et de la commune, par l'UNICEF, l'OIT, la BID (Banque Inter-américaine de Développement), l'Union Européenne, l'USAID, le gouvernement italien et des organismes brésiliens et non brésiliens privés, comme Amnesty International par exemple. Mais, comme nous l'a mentionné Ricardo Cappi avec fierté, cet organisme est indépendant et ne se préoccupe en aucun cas de l'aspect politique des situations auxquelles il peut faire face, il ne se fait pas influencer, en un mot : *Projeto AXÉ* n'est pas une marionnette politique que l'on peut manipuler.

J'ai été émerveillée par notre visite au cœur de cette organisation et j'ai pu sentir l'Énergie Positive qui s'est dégagée tout au long de notre rencontre. Dans un environnement des plus difficiles, au cœur d'une extrême pauvreté que symbolise la capitale de Bahia, des hommes et des femmes ont su relever le défi et réussir à toucher 'os meninos da rua' en les drainant vers un avenir plus 'positif'. La philosophie et l'approche pédagogique de Projeto AXÉ sont différentes de la norme et sont orientées vers une perspective et une éducation plus artistique, en tentant de solliciter chez ces enfants défavorisés un désir profond de s'en sortir. En effet, l'art est l'essence même de ce projet et en fait un projet unique. Les résultats, déjà marquants, témoignent du succès de ce projet. En effet, Ricardo Cappi nous a précisé que certains des enfants, qui ont fait confiance à cette méthode, se sont sortis de leur désespoir et, à leur tour, aident les enfants et les adolescents des rues car ils sont devenus des éducateurs. Grâce à l'énergie collective qui émane de ce projet, grâce à l'initiative de certains et à la croyance d'autres, ce projet a su porter les fruits de la réussite. Ce voyage et toute cette aventure, la réalisation de notre projet sur le Brésil, aura été une expérience inoubliable à bien des égards!

LA COOPÉRATION ENTRE LE PRIVÉ, LE PUBLIC ET LE COMMUNAUTAIRE AU BRÉSIL

Guillaume Landry

Le Brésil est un géant incontournable de notre continent. Troisième plus grande démocratie au monde et huitième puissance industrielle du globe, la République lusophone n'incarne pourtant pas moins la fracture sociale du Nouvel Ordre mondial. Avec en parallèle les bidonvilles, le crime et la pauvreté de ses mégapoles, le Brésil joui depuis plusieurs décennies d'une croissance exemplaire sans pour autant la distribuer. Dans une société où l'écart entre riches et pauvres est parmi les plus élevé au monde, la redistribution des ressources et la réduction de la pauvreté sont plus que jamais le point de mire des préoccupations sociales du pays. Les notions de démocratisation et de décentralisation sont devenues récemment les porte-étendards de ce combat. La vision ainsi projetée est d'impliquer la communauté, de rapprocher les institutions de la population. Le partenariat entre les instances gouvernementales, le secteur privé et la société civile demeure encore précaire au Brésil, mais il incarne une évolution de la dynamique entre ces acteurs et une possibilité de collaborer ensemble pour une meilleure société.

Les obstacles sont pourtant nombreux. La volonté politique ou l'ouverture d'esprit ne sont pas toujours au rendez-vous. De même, le savoir-faire n'est pas globalement disponible. Le Brésil a su toutefois se faire connaître dans le monde par ses initiatives en lien avec le budget participatif de Porto Alegre, le forum social annuel de la même ville ou encore les programmes sociaux du Mouvement des Sans-terre. Sans pour autant faire la règle, ces instances sont des exemples probants de la capacité brésilienne à faire face à ses propres problèmes.

C'est dans ce contexte que la coopération internationale cherche à faciliter cette impulsion. Denis Marcheterre, directeur exécutif de Pueblito Canada, une ONG canadienne qui travaille depuis plus de 15 ans au Brésil, affirme cependant : « c'est le monde qui va changer le monde, et non la coopération. » Réputée pour ses innovations et la sophistication de ses solutions, la société civile brésilienne a raison d'être fière et possède déjà une expérience substantielle en la matière. En somme, il importe d'accompagner les Brésiliens dans leur processus de développement en répondant à leur besoin à travers la société civile qui travaille déjà à palier aux injustices. Il est donc nécessaire de présenter nos erreurs comme nos succès dans nos propres expériences de dynamisation sociale, pour ensuite les laisser modeler nos solutions à leur réalité et finalement nous inspirer nous-mêmes de leur expérience.

Le Brésil est une exception aux côtés de l'Afrique du Sud et du Nigéria pour avoir une agence nationale de développement international oeuvrant sur son propre territoire avec l'aide d'agences étrangères tout en opérant un certain nombre d'activités de développement dans d'autres contrées. L'Agência Brasileira de Cooperação (ABC), une branche du Ministère des affaires extérieures, personifie justement cette dualité. En effet, il lui arrive d'entreprendre des projets de développement dans des pays tels que le Mozambique ou l'Angola, généralement en partageant sa propre expérience. D'un autre côté, cette organisation agit souvent comme intermédiaire entre les agences occidentales de développement et les organismes de la société civile pour organiser les projets. La réalité brésilienne s'en trouve bien résumée; un volet du pays qui est suffisamment développé pour exporter son aide, parallèle à une autre facette fort sous-développée, qui a de son côté bien besoin d'aide.

La coopération internationale a donc une place au Brésil, les besoins étant immenses. Pourtant, son action ne doit pas se limiter à ce rôle paternaliste de gestionnaire et de penseur. Il faut revoir notre manière de concevoir nos interventions. L'image pompeuse de nos sociétés prospères et progressistes qui aident par morale les dépourvus illettrés et innocents de ce monde est fondamentalement inadaptée. Il faut dorénavant comprendre nos interactions en tant que dialogue, un échange rendu possible par cet intérêt mutuel dans la dynamique de l'autre. Apprendre tout en partageant. Et force est de constater que le Brésil a bien des choses à nous apprendre.

À titre d'exemple, une association regroupant divers secteurs économiques brésiliens, la GIFE, a créé un fond qui finance autant des initiatives sociales extérieures que des projets qui leur sont propres. Une organisation qui implique les entreprises dans leur communauté. Depuis, plusieurs firmes produisent un double bilan à la fin de chaque année : un bilan financier traditionnel et un bilan social faisant état des réalisations communautaires initiées sous les auspices des projets de l'entreprise. Cet exercice, géré par l'Instituto Brasileiro de Analises Sociais e Economicas (IBASE), a pour but de mettre à jour la responsabilisation sociale des entreprises et de consolider leur relation avec la société et l'environnement. En plus d'être un instrument de relations publiques extraordinaire, ces bilans sociaux motivent les compagnies à s'impliquer dans leur communauté et à tenir compte de leur milieu dans leurs activités et investissements.

De même, l'Agenda social de Rio est un projet qui vise à faciliter la mise en relation des groupes communautaires avec les instances gouvernementales. Cet intermédiaire permet donc aux acteurs locaux de mieux connaître les mécanismes mis à leur disposition dans l'appareil étatique pour le genre de projet qu'ils coordonnent tout en facilitant l'articulation des revendications de ces organismes auprès des preneurs de décision.

L'Association brésilienne des fabricants de jouets ABRINQ s'est pour sa part créée une niche dans le financement des activités pour la défense des droits de la personne et des enfants. Fort de cette réputation, l'Association a créé un prix national pour l'entreprise « amie des enfants ». Une liste de critères sérieux et rigoureux, allant des services communautaires à la qualité des produits en passant par les conditions de travail et l'impact environnemental de la production sert à déterminer le gagnant de ce prix hautement prestigieux. Il s'agit évidemment d'une immense promotion pour le gagnant qui se traduit en gain de marché considérable. Par ailleurs, nombreuses sont les entreprises qui prennent conscience des critères de ce prix pour adapter la qualité de leurs produits et leur rôle dans la communauté. Une palme similaire est attribuée à la préfecture « amie des enfants », suivant elle aussi des critères précis. De même, la renommée de cette récompense pousse plusieurs agglomérations à revoir leur agenda et leurs services.

Comunidade Solidária est de son côté un programme fédéral instauré depuis l'entrée au pouvoir il y a sept ans du Président Fernando Cardoso pour mousser le partenariat entre la société civile et le gouvernement. Bien que souvent taxée d'instrument politique par ses détracteurs, il demeure toutefois que la grande participation populaire à ses projets ainsi que l'extension de ses activités font état d'un succès substantiel. Parmi ses initiatives se retrouvent des programmes d'entraînement professionnel, d'alphabétisation, de formation sociale pour la

clientèle universitaire, de commercialisation de l'artisanat traditionnel, de démocratisation de l'Internet et de promotion du bénévolat. Avant-gardiste, cet organisme illustre l'ouverture d'esprit et la collaboration possible entre le secteur public et la population. Ses résultats sont fort encourageants, comme la réduction de 50 % du nombre d'analphabètes dans la région du nordeste ou encore le développement économique des petites communautés traditionnelles de l'intérieur du pays par la vente de leur artisanat.

De même, le milieu universitaire tente peu à peu de réactiver son rôle de service auprès de la société en instiguant nombre de projets d'extension. Il s'agit d'espaces d'apprentissage pratique à travers des stages ainsi que des espaces de discussion à propos de sujets alternatifs en lien avec la composante défavorisée de la société brésilienne. À titre d'exemple, un congrès national alternatif des architectes s'est tenu récemment à Porto Alegre, réunissant des centaines d'étudiants et professeurs des quatre coins du pays pour organiser des échanges et structurer des projets à propos du développement des communautés lié au Mouvement des Sans-terre. Les problématiques inhérentes à la gestion de l'écosystème, à l'espace légal, à la limitation des ressources ainsi qu'à la dynamique politique ont été abordées, se fusionnant dans un ensemble de documents constructifs élaboré dans cet espace universitaire.

La coopération entre le privé, le public et le communautaire est une manière pour le Brésil d'améliorer la vie de sa société. Le défi y est d'accroître l'occurrence d'une telle dynamique et de transformer les programmes sociaux de manière à prévenir les impacts négatifs de la mondialisation sur une grande partie de la population brésilienne. Les statistiques démontrent pourtant que la pauvreté et les inégalités se sont accrues ces dernières années. Ces initiatives doivent donc être considérées dans un contexte global où l'offre est indubitablement inférieure aux besoins.

Pueblito Canada travaille en collaboration avec l'ONG locale MLPC dans les centres de la petite enfance des bidonvilles de Belo Horizonte, troisième ville du pays. La circulation des idées se poursuit, affirme Monsieur Marcheterre, et la transposition d'expériences brésiennes via leur collaboration avec the School of Early childhood development de l'Université Ryerson de Toronto a donné lieu à des apprentissages fort pertinents à l'échelle de notre société.

Les contradictions brésiennes se suivent au fil d'un quotidien aussi flamboyant qu'inégal. Les défis sont énormes et les solutions continuent de se conjuguer au présent. L'aide du Canada est bienvenue au Brésil. Reste à savoir si le Canada est suffisamment ouvert pour appliquer certaines expériences brésiennes porteuses de succès à sa propre pauvreté.

ABRINQ AND ITS PROGRAMS TO FIGHT CHILD LABOUR AND ILLITERACY

Jessica Dionne

In many developing countries children are propelled into the labour force at a very young age. These children (anywhere between five to seventeen) tend to work under terrible conditions. In fact, UNICEF estimates that over two hundred and fifty million of the world's children work in hazardous conditions. Although child labour is prominent in Asia and Africa, many Latin American children must also work in order to survive. In Brazil alone, it is estimated that over 6.5 million children and adolescents work in order to survive. The purpose of this paper is not to discuss the horrors of child labour, but to examine the programs of a Brazilian organization called ABRINQ that has been taking steps towards reducing child labour and promoting educational projects for less fortunate children.

Before identifying these programs it is important to briefly recall when and how this organization was established. The ABRINQ Foundation for Children's Rights was founded in 1990, in the city of São Paulo, by business people who became aware of the terrible situation of many children in their country. ABRINQ is a non-profit organization that aims at promoting the basic rights of children as defined by the 1989 United Nations International Convention for Children's Rights, the Brazilian Constitution and Brazilian Statute for Children and Adolescents. This organization has been working very hard to mobilize the government and civil society in order to make children and adolescents a top priority. To do so, ABRINQ has promoted its organization and its programs in elementary schools, in cities, in various companies and in the media.

One of ABRINQ's most noteworthy programs is the Child-Friendly Company Program that aims to "encourage private enterprises to fight against the exploitation of child labour and to invest in projects that can improve children's quality of life." To do so, members from the ABRINQ Foundation communicate with companies and invite them to support ABRINQ by eliminating child labour in their businesses. If the company agrees to stop employing children, it will obtain the right to stamp all its products with the ABRINQ logo. This agreement is not an official one but rather a pact of good will between ABRINQ and the company. Companies benefit from this pact because they become recognized by civil society as companies that are against child labour. Furthermore, because the media often publishes articles on ABRINQ and the companies that support this foundation, these companies receive good publicity. Of course, companies who sign the pact of good will and do not comply with its clauses can no longer use the ABRINQ logo on its products and will receive negative media coverage. The media thus becomes an important agent for positively or negatively influencing public opinion with respect to certain companies. This program is of great importance because it ensures that fewer children will be employed in factories.

Another interesting ABRINQ project is the Child-Friendly Journalist Project. The objective of this project is to build a network of journalists nation-wide to work on the defence of children's rights. This is very important because it helps create social awareness with regards to child labour and children's rights. Although many Brazilians know that the situation of millions of the nation's children is appalling, few know how to help them. The Child-Friendly Journalist Project does not only sensitize the public, it also gives them information on how to help children through different organizations.

ABRINQ also has a program called the Child-Friendly Mayor Program that supports mayors across the country who make children a priority in their municipalities. This program is interesting because it makes children's welfare a political matter. By making children a priority, Brazilians will become aware of actions that they can take within their own communities to help children in their neighborhoods. This will in time make people more politicized and hopefully lead them to choose products that are not made by children, encourage them to volunteer or make a donation to organizations such as ABRINQ. Although the welfare of Brazilian children is a national issue, it is often at the local and municipal levels that immediate action can take place. Think globally, but act locally.

Fighting child labour is one of ABRINQ's top priorities, but this organization is also concerned with promoting better educational programs for children of lower income families. Many children in Brazil cannot afford to go to school or do not have sufficient access to educational material such as books and computers to further their education. In fact, UNICEF has estimated that 1.8 million young Brazilians between the ages of 15 to 24 are illiterate. Thus, ABRINQ has created several programs to help decrease the illiteracy rate.

The 'Believe It To See It Program' was created to "improve the quality of public schools by mobilizing the civil society and by giving contributions to the government for the establishment of its educational policies." This program is very important because it will allow more children to receive a better education. It is unacceptable for an industrialized country such as Brazil to have 1.9 million children between the ages of 7 to 14 years not attending school. With this program, ABRINQ is creating better facilities for children and hopefully this will keep more children in school. Obviously, part of the problem is that many children need to work in order for their family to survive. Poverty in Brazil is a major concern, and it affects many children and forces them to work at an early age and thus leave school.

The Children Education Program was created to promote the construction of day-care centres and pre-schools in order for young children to be surrounded by other children and become socialized. This program helps young children develop skills and especially keeps them away from the labour market. The more education they receive at a young age the better chance they will have to continue their education later.

ABRINQ continues to develop many programs to decrease child labour and promote educational projects. The foundation's main goal is to make Brazil a better place for children. This organization has been working very hard to mobilize civil society and the media on the importance of making children's welfare a top priority. This task is not easy since Brazil is a vast country that is faced with many social problems. Thus, it is hard to control the employment of children in many areas of the country. In São Paulo, the largest city in Brazil, the issue of child labour has not been resolved, but ABRINQ has been working relentlessly to decrease the employment of children in this city and other states.

Personally, I was very impressed by the creativity and level of organization of ABRINQ's programs and felt that this type of organization would be a good model for other Latin American countries to follow. At its inception, ABRINQ only employed one person. Now it employs over seventy people: an indication of its ability to make its voice heard. Child labour and child illiteracy are concerns in all

developing nations. The fight in Brazil continues and it appears that more and more Brazilians are becoming aware of these problems and are taking action in order to make Brazil a safer and better place for its children.

STYLES OF MODERN DIPLOMACY: A COMPARISON BETWEEN BRAZIL AND CANADA

Marie-Claire Lemay

The idea of this short essay came from personal experiences before and during our conference "Brazil: the Emergence of a World Power," and also during the subsequent field research trip to Brazil. While building up this project, I soon realized how the Brazilian and Canadian governments' responses varied significantly, and somehow reflected the different diplomatic styles adopted by those countries. For instance, after months of work on the conference, the Canadian Department of Foreign Affairs and International Trade (DFAIT) still seemed to treat our initiative like a high school project, sending us basic tourist information about Brazil and reminding us not to leave our purse unattended on the beach. In the meanwhile, the Brazilian Embassy sent us specialized videos, magazines, and the ambassador was pleased to be present at the conference. In Brazil, the Canadian embassy organized a casual and outdoor BBQ with the personnel on the compound, while the Brazilian Foreign Office (Itamaraty) met us in business suits in a fully equipped conference room. This essay does not constitute a criticism of the DFAIT, but aims to point out some aspects in which it could learn from its Brazilian homologues.

Canada and Brazil share many similarities, as the Brazilian ambassador to Canada, H.E. Henrique Valle, stated in 2001:

Both are almost continental in size, their economies have roughly the same dimensions and their societies are multi-ethnic and diverse. They share common views as democratic societies and the conviction that the Hemisphere should be integrated on the basis of fundamental values such as democracy, human rights, protection of the environment, the fight against poverty and the pursuit of social justice.²⁴⁶

To these points could be added the presence of aboriginal peoples, federalism, the planning and creation of a central national capital (Ottawa at the junction of Lower and Upper Canada in 1857; Brasilia between the Atlantic seaboard and the Amazon region in 1960), and a concentration of population on a stretch of land (the U.S. border in Canada and the Atlantic seaboard in Brazil). Yet, one major difference between the two countries remains the concept of national identity, which reflects on the national diplomatic style. In Canada, starting with the French and English legacies, the country has been flourishing under the banner of multiculturalism where the "mixing bowl" is the norm. In Brazil, constant interactions and racial mixture under the Catholic faith and the Portuguese language have created a real national culture and identity, thus a "melting pot."²⁴⁷

Diplomacy is often simply defined as "the dialogue between states," while its agents, also called diplomats, insure the implementation at home and abroad of essential functions such as information, negotiation, promotion of cultural, economic and scientific interests, protection of nationals, and extension of public services."²⁴⁸ The execution of those tasks varies according to the country's foreign policy, the foreign country and the diplomatic style chosen. "The concept of diplomatic style is a useful means of thinking about the characteristic ways in which states and other actors approach and handle their external policy. [...]"

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247. EAKIN, Marshall C. *Brazil: the Once and Future Country*. New York: St. Martin's press, 1997, pg. 260.

248. KIRSCHBAUM, Stanislav. *Paix, sécurité et droits humains internationaux ILST 3270*, Glendon College, 2002.

Within diplomatic style are included negotiating behaviour, preference for open or secret diplomacy, the kinds of envoys used, diplomatic language, preferred institutions and types of treaty instruments such as memoranda or treaties of friendship. [...] Personal diplomacy has increased in importance as a feature of modern international relations."²⁴⁹

Within our project's framework, I could not help but notice how the Brazilians kept a professional standard in their approach, whether we were students or would have been government officials. They kept their business suits on, received us in a special room, offered us coffee and snacks, discussed with us with interest and answered all our questions in a polite and concise way, whether in Canada or Brazil. On the Canadian side, the approach was more casual and sometimes reflected the personality of the diplomats in question. In Canada, they seemed a bit bothered by our initiative and kept their contribution to a minimum, as if student projects were not high in their priority list. In Brazil, our Canadian diplomats seemed a bit surprised by the seriousness of our initiative and were more helpful. Nevertheless, the outdoor BBQ and improvised visit (although planned in advance) to the Consulate in Rio showed us how more relaxed is the Canadian style, hence easier to relate to (as opposed to a more elitist approach). Yet, such casualness may also conceal an hierarchical conception and could, at times, be inappropriate or even offensive. Personally, as a student, I found the Brazilian approach more interesting because it made me feel important and taken seriously.

The Canadian Foreign Service has long been associated with the United Kingdom. It is through a slow gradual process closely related to its constitutional evolution (and also some frustrations relating to British primacy) that it developed its own Foreign Office following World War I.²⁵⁰ The DFAIT, as it is called today, is still young, its most recent drastic change being the opening of the entrance exams to women, in 1947. When recruiting, the Department is evaluating the following essential qualities: A good judgment, attention to detail, capacity to communicate, personal qualities, education (a Masters Degree was previously required, but now an Undergraduate Degree is sufficient), and preferably bilingualism in English and French.²⁵¹ The entrance exams are held once a year in October, and of the 7,000 candidates who wrote the exams in 2001, 80 to 100 will be offered positions.

Brazil's Foreign Service is closely linked to "the rising nationalism of the late 1950s [which] pressured the government to seek a more important and independent position in the world affairs and, at the same time, to oppose U.S. 'imperialism.'"²⁵² From its inception, the Brazilian Foreign Service (*Itamaraty*) "recruited distinguished intellectuals from the fields of politics, literature, and philosophy to serve as Ambassadors and Foreign Ministers. Most notable was the Baron of Rio Branco (1902-1912), who increased the size of Brazil over 200,000 square miles by peacefully arbitrating a number of border disputes."²⁵³ The history of modern Brazilian diplomacy is closely connected to the establishment of the Instituto Rio Branco in 1945.²⁵⁴ This Institute is essentially a renowned academy for the development, specialization and professionalization of Ministry of Foreign Affairs officials.

249. BARSTON, R.P. *Modern Diplomacy*. New York: Longman, 1997, pp. 130 and 106.

250. CADIEUX, Marcel. *Le diplomate canadien: éléments d'une définition*. Montreal: Fides, 1962, pp. 15-16.

251. *Ibid.*, pp. 87-88.

252. ROETT, Riordan. *Brazil: Politics in a Patrimonial Society*. Toronto: Praeger Publ., 1978, p. 159.

253. YOUNG, Jordan M. *Brazil, Emerging World Power*. Princeton: Krieger Publ., 1982, p. 71.

254. LAFER, Celso. *Catalogue of the Rio Branco Institute*, August 2000, pg. 1

"In countries with young histories, like Brazil, academic institutions of fifty years or more are already part of a tradition. This is especially true when, as in the case of the Instituto Rio Branco, norms and practices were brought together in this new academy which, since the days of the Empire, had been foreshadowing the ethical and professional bases upon which would be framed the criteria for the selection, training, and specialization of Brazilian diplomats."²⁵⁵ When recruiting, the Instituto Rio Branco is searching for candidates "righteous in conduct, expert in French and English languages, knowledgeable of Mercantile and Maritime Law, and of the practices and customs of Business."²⁵⁶ The entrance exams are known to be very difficult and of the average 2,000 candidates every year, 20 are selected for training.

This is perhaps what Canada truly lacks in its Ministry of Foreign Affairs: A lack of tradition and of institutionalization of its diplomatic service through a well-established academy. A parallel could be made with West Point in the United States:

Today West Point continues to operate as a training school for the modern army. [...] Apart from the specific skills it teaches, West Point inculcates in its students a sense of the nation as a whole, past and present, public and private, at war and at peace. While the U.S. has used its military might to win its way in the world, Canada has had to live by the alliances it forms. What the soldier is to America, the diplomat is to Canada, yet we have nothing like West Point to train our future leaders.²⁵⁷

Canada does not train its foreign officers efficiently, yet it could gain more in institutionalizing and perfecting its excellence in the diplomatic domain, where it enjoys a good reputation. While it might not be possible to build a brand new academy, the curriculum should stress the importance of etiquette and professionalism (which do not exclude casualness) and should be open to foreign diplomats as well, like the Instituto Rio Branco, since the contribution of outside participation (in terms of ideas, etc.) should not be underestimated. I was impressed by the Brazilians' great professionalism and their overall ability to make you feel important and comfortable albeit their seriousness. The Canadian treatment was more amicable and laidback, easier to relate to, yet lacking distinctiveness. Maybe distinctiveness is not such an issue after all, but as a future Foreign Service officer, I believe that the impression that you make on the numerous people that you meet briefly, throughout your career, does reflect on the whole country you represent.

255. *Ibid.*, p. 4

256. *Ibidem.*

257. KNEALE, John G. *Foreign Service*. Toronto: Captus Press, 1993, p. 223.

LA DIVERSITÉ DE LA POPULATION BRÉSILIENNE

Edith da Costa

En l'an 2000, le Brésil avait une population d'approximativement 165 millions d'habitants. Cette population est une des plus diversifiée au monde et cela est certainement dû au niveau très élevé d'immigration dont ce géant de l'Amérique latine fut l'objet. Visiter le Brésil donne l'impression de visiter plus d'un pays, non seulement à cause de son vaste territoire et de sa diversité géographique, mais aussi à cause de la population qui est assez différente d'une région à l'autre. Peu importe l'endroit où l'on débarque en terre brésilienne, l'on perçoit un mélange incroyable de personnes de différentes origines ethniques.

Lors de notre voyage au Brésil, en avril 2002, mes collègues et moi avons eu la chance de mieux saisir l'hétérogénéité du peuple brésilien. Nous avons visité en tout six villes : São Paulo, Salvador de Bahia, Brasília, Manaus, Porto Alegre et Rio de Janeiro. Chacune de ces villes appartient à des régions distinctes dont les économies sont différentes les unes des autres et dont les rôles au sein de l'État est propre à chacune d'entre elles. Ces différences sont dues à plusieurs facteurs, dont la population qui a influencé le destin de ces villes. Pourtant, la façon dont chaque ville s'est métamorphosée a également un impact important dans la façon dans laquelle la population brésilienne s'est développée.

Notre séjour au Brésil a débuté dans la ville de São Paulo. Dès notre arrivée, j'ai vite constaté que cette grande métropole de 18 millions d'habitants est composée de groupes ethniques provenant de partout à travers le monde. São Paulo fut choisi par beaucoup d'immigrants dans l'espoir d'y trouver un avenir plus prometteur que celui offert par leur pays d'origine. La population japonaise notamment y est fortement représentée et constitue la plus grande communauté japonaise hors Japon. Comme la plupart des mégapoles au Canada ou aux États-Unis, São Paulo possède un mélange culturel étonnant.

Notre deuxième arrêt fut dans la région du Nordeste, dans la ville de Salvador. À notre sortie de l'avion, une chaleur accablante nous accueille. En se promenant dans les rues de cette ville, on remarqua qu'une grande partie de la population était noire. La ville de Salvador, étant située sur la côte atlantique, a été un important point de débarquement des esclaves en provenance des pays africains. Cette ville est d'une beauté incroyable et très pittoresque et l'on peut y admirer encore aujourd'hui l'architecture coloniale portugaise. Aussi, à Salvador, la *capoeira*, art martial développé par les esclaves, est un art traditionnel que les habitants apprennent à maîtriser dès leur jeune âge. Pourtant, cette ville, tout comme la plupart des villes de cette région, fait face à une dure réalité. La région du Nordeste est la plus pauvre au Brésil et la présence des *favelas* est très forte. Même si le Brésil est un pays multiculturel, certaines cultures ont moins accès à la richesse du pays que d'autres : la situation précaire de la population noire est un exemple de ce phénomène de discrimination.

Nous nous sommes envolés ensuite vers Brasília. Je constata rapidement que cette ville est unique en son genre et que je ne pouvais pas la comparer à aucune autre. En effet, la capitale du Brésil, qui fut construite il y a une cinquantaine d'années seulement, est une ville dont l'architecture est très avant-gardiste. Cette très jeune ville fut située au milieu du pays dans le but d'y instaurer la nouvelle capitale nationale. La population de cette ville est constituée en fait de groupes hétérogènes, qui sont venus d'un peu partout au Brésil pour y travailler. J'ai eu

l'impression, toute fois, que cette ville était en grande partie formée de diplomates et de politiciens.

Nous étions déjà au milieu de notre étude de terrain au Brésil et voilà que nous repartions vers Manaus cette fois-ci. Cette grande ville de l'Amazonie, qui me fascinait depuis longtemps, m'a fait découvrir des paysages saisissants. Nous avons eu la chance de vivre une expérience unique au milieu des « poumons de la planète. » Les gens rencontrés avaient des traits indigènes et nous avons même visité une famille indigène vivant dans la forêt. L'Amazonie fut véritablement une expérience mémorable.

Quelques jours après notre périple en forêt amazonienne, nous repartons vers Porto Alegre, au Sud du Brésil. Cette ville a une forte composante de population d'origine italienne et allemande. Il était très étrange pour moi de voir des Brésiliens aux cheveux blonds et aux yeux bleus. Même en se promenant dans les rues de cette ville, réputée pour son vin et pour son *churrasco*, l'on pouvait sentir une présence européenne ne serait-ce qu'en admirant l'architecture des bâtiments.

Dernier arrêt, Rio de Janeiro. Comme São Paulo, cette ville offre un grand mélange culturel. En effet, cette autre mégapole brésilienne est un mélange hétérogène de gens venus s'établir dans cette merveilleuse ville balnéaire dans le but d'y trouver un avenir prospère. Rio de Janeiro offre elle aussi des paysages à couper le souffle, mais d'un autre côté cette ville est victime d'une pauvreté et une violence de plus en plus grandissantes.

Le Brésil, dans son ensemble, est un pays riche au niveau culturel et cela est certainement dû au fait que ce pays fut construit par des immigrants d'origine très diversifiée. En visitant ce pays et en rencontrant plusieurs personnes, je n'ai pas pu m'empêcher de comparer le Brésil avec le Canada, qui aussi est un pays composé d'immigrants en provenance de nombreuses parties du monde. En dépit de similarités quant à l'origine de leur populations, force est de constater que les deux pays diffèrent surtout quant à la façon dont les immigrants se sont mélangés. Au Brésil, il y a eu un phénomène de métissage unique en son genre. En effet, il y a eu beaucoup de mariages interculturels entre les indigènes, les noirs et les blancs. Ainsi, même si dans chaque ville ou région du Brésil l'on peut apercevoir des formes culturelles spécifiques, il reste que dans leur ensemble les Brésiliens sont un peuple extrêmement métissé.

Au Canada, par contre, ce phénomène de mélange culturel entre les différents groupes est beaucoup moins prononcé. Au Canada, les groupes ethniques ont la tendance à se tenir ensemble, c'est-à-dire à habiter dans les mêmes quartiers d'une ville, parler entre eux la langue de leur pays d'origine, garder leur religion, etc. Ainsi, au Canada, les immigrants ne s'intègrent pas si vite et facilement au reste de la population déjà en place. Pourtant, ce phénomène aussi constitue une forme de richesse culturelle et le Canada est reconnue mondialement pour son multiculturalisme ethnique.

Bref, dans le cas du Brésil, le multiculturalisme pourrait être qualifié de multiculturalisme de melting-pot ou d'intégration, c'est-à-dire que tout le monde se considère brésilien, tout le monde parle le portugais, aime le football et, en grande majorité, se sent catholique, etc. Même si presque tous les Brésiliens ont des ancêtres en provenance d'autres pays, ils se considèrent tous, et avant tout, Brésiliens. Demander à un Brésilien qu'elle est son origine et il vous répondra

promptement qu'il est brésilien, sans faire allusion à une autre origine. Au Canada, ce phénomène est assez différent. Les gens se disent Canadiens, mais d'origine italienne, irlandaise, japonaise, etc. Au Canada, on appelle cela une mosaïque culturelle, où chaque groupe garde une identité différente, mais, lorsqu'on place tous les groupes ensemble, cela aussi forme un tout. Ces deux formes de multiculturalisme pourraient toutefois cacher des différences significatives de perception nationale ou même de projet national et il serait peut-être très intéressant de les analyser plus en profondeur.

ANNEX I

CONFERENCE AGENDA

Opening Panel

Chair: The Honourable Barbara J. McDougall, P.C., C.F.A., L.L.D., O.C.
Ms. McDougall is President and CEO of the Canadian Institute of International Affairs.

Speaker: Mr. Amaral Gurgel, Amaral Gurgel Barristers and Solicitors - Honorary Consul of Brazil in Vancouver

Presentation title: *An overview of the Brazilian history and culture*

Présentateur: M. Bernard Andrès, directeur, Centre d'études et de recherches sur le Brésil de l'UQAM (CERB)

Titre: Présentation du Centre d'études et de recherches sur le Brésil de l'UQAM (CERB)

Speaker: Mrs. Sherry Nelligan, Gender Equality Incorporated

Presentation title: *Dreams and disparities – Gender equality in Brazil*

Speaker/Présentateur: M. Réjean Tessier, Directeur adjoint, direction de l'Amérique du Sud, Ministère des Affaires étrangères et du Commerce International.

Titre de la présentation: *Relations Canada – Brésil: Vues d'Ottawa*

Speaker: His Excellency, the Ambassador Henrique Valle, Brazilian Embassy in Ottawa

Presentation title: *Brazil: present domestic realities and foreign policy goals*

Afternoon Panel

Political, economic and development

Chair: Mrs. Halina Ostrovski, President, Canada-Brazil Chamber of Commerce and National President, Canadian Council for the Americas (CCA)

Speaker: Mr. Don Mackay, Executive Director, Canadian Foundation for the Americas (FOCAL)

Presentation title: *Canada- Brazil Relations*

Speaker: Dr. Albert Berry, Professor of Economics, University of Toronto and Research Director of the Program on Latin America and the Caribbean at the U of T's Centre for International Studies

Presentation title: *Recent economic trends in Brazil*

Speaker: Mrs. Annette Hester, interim director of the Latin American Research Centre, University of Calgary, and Dr. Edmilson Moutinho dos Santos, Professor, University of São Paulo (USP)

Presentation title: *Politics, Presidential Elections and the Energy Crisis in Brazil*

Speaker: Dr. Jean Daudelin, The North-South Institute

Presentation title: *Brazil, Mercosur and the FTAA: The State of a Wild Game*

Speaker: Dr. Charles Gastle, Lawyer, Estey Centre for Law and Economics in International Trade

Presentation title: *The Aircraft from Brazil/Canada dispute*

Social, cultural and environmental

Chair: Dr. Elisabeth Abergel, Professor, Glendon College, York University

Speaker: Dr. Rosana Barbosa Nunes, Professor, York and Brock Universities

Presentation title: *Immigration to Brazil and the formation of the Brazilian people*

Speaker: Professor Ted Hewitt, University of Western Ontario

Presentation title: *Urbanization: Brazilian innovations in response to social problems in Brazil.*

Speaker: Mr. Denis Marcheterre, Executive Director, Pueblito Canada

Presentation title: *Le role de la cooperation internationale au Brésil*

Speaker: Dr. Cecilia Rocha, Centre for Research on Latin America and the Caribbean (CERLAC)

Presentation title: *Urban food security policy: The case of Belo Horizonte, Brazil*

Speaker/Présentateur: Dr. Yvon Maurice, Geological Survey of Canada/
Commission géologique du Canada

Presentation title/titre: *Two CIDA-sponsored projects to address environmental and social problems in Brazil/ Deux projets subventionnés par l'ACDI pour adresser les problèmes environnementaux et sociaux du Brésil.*

ANNEX II

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- M. Don McKay
- M. Denis Marcheterre
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- Mme. Sherry Nelligan
- Dr. Rosana Barbosa Nunes/Dr. Fernando Nunes
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- M. Nicolas Diotte
- Mme. Francesca Di Rosa
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- Mme. Maryse Guilbeault
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- Mme. Bakham Hensbergen
- Housing Services Glendon
- Mme. Thérèse How
- M. Jean-Claude Jaubert
- M. Guy Larocque
- Mme. Françoise Rême
- Mme. Véronique Ng

Merci à toutes et à tous/Thanks to everyone

ANNEX III

FIELD TRIP ITINERARY: MAIN PLACES AND INSTITUTIONS VISITED

Tuesday April 9, 2002

Departure from Toronto – Chicago

Chicago – São Paulo

Wednesday April 10

São Paulo

- Visit to ABRINQ – NGO working for children
- Visit of SESC- community/cultural center

Thursday April 11

- Went to the city called Cubatão visit Carbocloro (Fabric of Chemicals)

Friday, April 12

Saturday, April 13

Departure to Salvador da Bahia

Meet with the Council of Canada in Salvador

Dinner at Solar da Unhão where a show of capoeira was presented

Sunday, April 14

- Tour of the city
- Visit with Canadian Sister Muriel who works in a favela

Monday, April 15

- Visit to the University of Bahia, UNEB – ABECAN (Associação Brasileira de Estudos Canadenses)

Tuesday, April 16

Visit of Centro Projeto Axé de Defesa e Proteção à Criança e ao Adolescente – NGO working with street children

- Departure to Brasília

Wednesday, April 17

- Meeting with Minister Luiz Fernando Ligiéro, Head of the Office of Public Information and Affairs
- Meeting with Mrs. Elke Urbanavicius Constanti, Deputy Coordinator of the Brazilian Cooperation Agency
- Meeting with Minister João Almino de Souza Filho, Director of the Rio Branco Institute
- Meeting with Comunidade Solidária Council

Thursday, April 18

- Meeting with Deputy Ricardo Berzoini – PT/SP
- Visit to Canadian Embassy
- University of Brasília – meeting with Prof. Ricardo Caldas and International Relation students

Friday, April 19

- University of Brasilia – Faculty of Education – meeting with Prof. Gilberto Lacerda, Undergraduate Coordinator
- Tour of city
- Departure to Manaus

Saturday, April 20

Arrival to Manaus – Two days expedition in a boat in the Amazon

Sunday, April 21

Expedition in the Amazon

Monday, April 22

- Visit of the city

Tuesday, April 23

- Visit of the city
- Departure to Porto Alegre. Prof. Rosana Barbosa Nunes joined the group and accompanied them to Porto Alegre and Rio de Janeiro

Wednesday, April 24

- Visit to the Universidade Federal do Rio Grande do Sul – Visit to ABECAN
- Tour of the city

Thursday, April 25

- Visit to the Universidade do Vale dos Sinos - Unisinos
- Visit to Universidade de Caxias do Sul with Prof. Antônio Cândido Calcagnoto
- Visit of the City of Caxias do Sul
- Informal presentation to students from the Universidade de Caxias do Sul/ Evening Course

Friday, April 26

Visit Porto Alegre

- Meeting with Marketing Students at the Escola Superior de Propaganda e Marketing - ESPM

Saturday, April 27

- Departure to Rio de Janeiro

Sunday, April 28

- Visit to Ipanema and Copacabana

Monday, April 29

- Visit to the Universidade Federal Fluminense – UFF
- Visit to the Canadian Consulate

Tuesday, April 30

- Visit to the Centro Brasileiro de Relações Internacionais – CEBRI (visit cancelled at the last minute)

Wednesday, May 1st

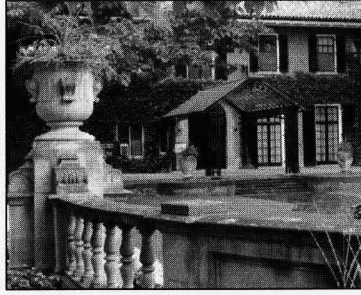
- Free Day due to Brazil's Labour Day Holiday

Thursday, May 2nd

- Informal visit to Centro Brasileiro de Relações Internacionais – CEBRI with Mr. Ademar Cruz

Thursday, May 3rd

- Return to Canada via Miami



A Project totally conceived and managed by
the Independent Study Committee
made up of the undergraduate students :

Edith da Costa, Jessica Dionne, Maria Faija, Guillaume Landry,
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International Studies Programme,
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GLENDON

